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ABSTRACT

This report of congressional hearings on population movement and its implications for future planning focuses on the relative growth and decline in population within different geographic areas (both urban and rural) of the United States. Specific issues addressed include the effects these trends will have on school enrollments, family life, economic policies, the elderly, and migration. Strategies that might be employed by the Federal government in planning for population change and for developing alternative institutional approaches for dealing with these issues are discussed. An appendix includes prepared statements and additional related material submitted to the committee. (EB)

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CONSEQUENCES OF CHANGING U.S. POPULATION: Population Movement and Planning

ED173515

HEARINGS

BEFORE THE

SELECT COMMITTEE ON POPULATION
U.S. HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

SECOND SESSION

JUNE 6, 7, 8, 1978

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GEOGRAPHICAL REDISTRIBUTION WITHIN THE UNITED STATES: AREAS WITH DECLINING POPULATION

TUESDAY, JUNE 6, 1978

U.S. HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON POPULATION,
Washington, D.C.

The Select Committee met, pursuant to notice, at 9:30 a.m., in room 2337, Rayburn House Office Building, Hon. Daniel K. Akaka (chairman) presiding.

Members in attendance: Mr. Akaka, Mr. Scheuer, and Mr. Stockman. Staff present: Dr. Martin, research associate, Dr. Williams, task force director, Dr. Bouvier, special consultant, Ms. Tames, research assistant, Ms. Stolp, research assistant, and Mr. Lieberman, intern.

Witnesses: Dr. Charles Leven, Dr. Julie DaVanzo, Dr. David Birch, Dr. Roy Bahl, Dr. Anthony Downs.

Chairman AKAKA. This hearing of task force IV of the Select Committee on Population will come to order.

This morning we will be receiving testimony on geographical redistribution within the United States, and specifically on how it affects areas with declining population.

We are honored and happy to welcome Dr. Charles Leven, Dr. Julie DaVanzo, Dr. David Birch, Dr. Anthony Downs, and Dr. Roy Bahl.

I would like to inform you that we will receive your prepared statements and they will be entered into our records in toto.

I would like for you to highlight your testimony with some brief remarks of not more than 5 to 10 minutes. After all of you give your testimony, we will have questions. So, there will be about an hour of testimony this morning. At this time let me call Dr. Charles Leven as our first witness.

STATEMENT OF CHARLES L. LEVEN, DIRECTOR, INSTITUTE OF URBAN AND REGIONAL STUDIES, WASHINGTON UNIVERSITY

[Prepared Statement in Appendix on p. 171.]

Dr. LEVEN. Thank you. The emergence of population decline in the United States in older and larger SMSA's, standard metropolitan statistical areas, is very recent and has come to be known as metropolitan maturity. Maturity is seen as having three problems: One, not enough jobs or at least not enough of the kind of jobs that fit the skills in the inner city; two, physical decay; and three, a fiscal squeeze on local government, especially in the central city.

It is commonly supposed that a major reason that this maturation has occurred is the redistribution of population to the so-called

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Sun Belt. The Frost Belt, this line of reasoning would lead, has problems which stem from those who can afford to flee, fleeing to the Sun Belt in increasing numbers, leaving in their wake a dwindling and disadvantaged population. The cure is seen as a reversal of the poulation redistribution.

An alternative explanation could be provided in the maturity of the metropolis itself, which stems from deeper economic and technological causes, with the redistribution being a result and not the cause of the emergent maturity.

In an ultimate sense, there is some truth to both explanations. Activities move to people and people to activities. But the main point of my testimony is that it is the maturity of metropolis which primarily drives the interregional shifts in population much more than the reverse.

The tendency to see maturity as a manifestation of interregional movement most likely lies in the recency of population decline. Prior to 1950, no SMSA—no major SMSA—had ever lost population. From 1950 to 1960, only Pittsburgh lost population. Since 1970, many large SMSA's have either lost population or have shown very, very small increases.

But the net outmigration from metropolitan areas is not new. It has been typical of most of the larger areas, at least since 1950. Until about 1970, however, the natural increase in population was large enough so that we still saw significant net increases in total population.

What is recent is the sharp drop in the rate of natural increase, so that the population redistribution in response to maturity that has been with us for some time is then revealed much more dramatically by the net population decline.

Now this counterview is based on the view of maturity as a very-long-run and fundamental aspect of an emerging post-industrial society for three reasons. First, the economic argument for expecting a fall in the comparative advantage of large metropolises is a forceful and compelling one. Second, the phenomenon of population dispersal has proved to be very persistent. Third, the emergence of maturity is pervasive throughout much of the developed world.

The most immediate artifacts of maturity are well known. The most fundamental is the sharp rise in output per worker in manufactured goods compared to services. Even within manufacturing, there has been a marked increase in the shift of personnel away from goods handling to information handling.

Another artifact has been a fairly steady drop in the cost of moving goods. First this was a drop in the cost of moving goods between cities as the national railroad system was developed. After World War I, it was a drop in the cost of moving goods within cities as the motor truck came into use. The cost of moving people fell first with street railways in the 19th century and then again after World War II with widespread auto ownership and expressways. The cost of moving information fell drastically with the telephone and the radio, but these innovations did little to reduce the cost of storing, processing, and retrieving information, which came only with the computer age of the past decade.

As indicated, these artifacts of post-industrial society are, I think, well understood. So, too, is the resultant switch in the labor force from manufacturing to services. But what is not so well understood is that the changes in technology which have been the foundation of the move to a post-industrial society have themselves led to a decline in the comparative advantage of the large metropolis as a location for economic activity. Most basic is the reduction in the need of enterprises for proximity to each other.

In the late 19th and first third of the 20th century, it was much cheaper to move goods between cities and to move people to a single central work location than to move goods around within a city. It was very expensive to move information. This provided enormous advantages for locating production in the central district of a large metropolis, near railroad terminals convenient to local transit and, most important, near the many other enterprises with which goods and messages had to be exchanged frequently or in large volumes.

The formation of a great metropolis, of course, is the product of a number of pulls and pushes, the scale economies in production being only one. The other major pull is advantages in consumption of things like symphonies, zoos, medical centers, and so on. Many of these are still most easily available only in major cities, but television and other media have lessened the need to go to the city to get them. It is not really necessary to live within any very close distance to do so, even for occasional trips that have to be made.

Another consumption advantage is simply the greater range of goods in a metropolis. This continues as an important feature of metropolitan life, but with cultural homogenization and cheaper information flow it has become a weaker pulling force.

Finally, a traditionally very important advantage of metropolis was the much greater range of job opportunities available. This meant that the metro resident was less likely to migrate as a consequence of job loss and that his children could also form families more easily in the same community.

Again, these advantages persist, but, like the others, they are weaker, much weaker, especially as the growth of the nonnuclear family has reduced the importance of geographically based kinship, and as the reduction in average family size has made intercity migration much less of a problem.

While all the forces pulling people seem to have weakened, the push factors have stayed the same or become stronger. Chief among the push factors is congestion diseconomies. No breakthroughs have occurred to lower unit costs of providing municipal services. If pollution problems have not become worse, at least the levels of degradation we will tolerate have been reduced. We have come to insist that the economically deprived at least not be deprived in their receipt of public services. Thus, the fiscal attractiveness of metropolis also has diminished.

At the same time, security outside the home has become more of a problem in metropolitan areas, at least for the middle class, providing yet an additional push.

In 1901, H. G. Wells wrote and I quote:

> We have heard so much of the "problem of our great cities" * * * the belief in the inevitableness of yet denser and more multitudinous agglomerations in the future is so widely diffused, that at first sight it will be thought that no other motive than a wish to startle can dictate the proposition that not only will many of these railway-

> begotten 'giant cities' reach the maximum in the commencing century, but that in all probability they * * * are destined to such a process of dissection and diffusion as to amount almost to obliteration, so far, at least, as the blot cn the map goes, within a measurable space of years.

So at least for someone with the vision of Wells, these forces could be seen in embryonic form as long ago as the beginning of the century.

The dynamic by which diffusion begins, an outward spread of population from metropolis with a flattening density gradient, also reaches far back in time. As early as the Census of 1910, when we tabulated figures for metro districts for the first time, in almost all cases net movement from core to periphery was occurring.

The symptom of maturity in operation, net outmigration from the metropolis itself—from the entire SMSA—also reaches back further than commonly supposed. It is hard to see in the 1930's and 1940's because of the outmigration that was occurring anyway during the Depression and because of the need to assemble people for war production during the 1940's. Outmigration has certainly been occurring since World War II and, with sufficient retabulation of data for the 1920's, I would guess that we would find that it was happening in the 1920's as well.

In any event, what seems clear is that the forces leading to dispersal of activity from metropolis have been with us for a long time. They are based deeply in the technology of transition from industrial to post-industrial society and they have been progressively reinforced by technological change. This is in sharp contrast to the notion that the northeast and central regions are having problems due to regional redistribution of population, mainly in response to a search for the sun and other environmental amenities. This does not mean that people are not moving South and West, but they have been doing that since the beginning of the Republic.

What is not new then is the spread of people and activities from the core to the periphery of SMSA's, the net migration of population from larger metros to smaller urban areas, and the spread of population South and West.

What is new is that reduced birth rates have made these movements more obvious, that declining SMSA's have had to adjust to absolute and not just relative decline, and that nonmetropolitan areas and not just smaller SMSA's are showing net growth for the first time in this century.

Within this pattern, the fundamental role of maturity seems clear. Despite continued inmigration to the South and the West, central counties of SMSA's with over 2 million people in the South and the West showed net outmigration from 1970 to 1973 and an even larger net outmigration from 1973 to 1976. Inmigration to central counties in southern and western SMSA's that have populations of one-half to 2 million was modest and diminishing in the 1970's. In the northern and central regions, central counties in all SMSA-size classes lost population, but the bigger the SMSA, the more loss there was from the center.

Perhaps the strongest reason for believing that it is maturity which is producing redistribution, rather than the reverse, is the pervasiveness of the phenomenon. It is observable with less intensity but roughly similar outlines in Canada. It is readily apparent in the United Kingdom. Between 1961 and 1974 the 12 largest conurbations lost 7 percent of their population while the Nation was growing by 14 percent. This was not associated with any broad regional shift and certainly not with any shift that can remotely be associated with the lure of the sun, the seashore, or other natural amenities in the British Isles.

The relative economic losses of larger metro areas are also apparent through much of northern and western Europe, especially Scandinavia, Holland, and West Germany. Here, too, what were only relative differences in fairly rapid growth have been made much more visible and even turned into declines in some instances as birth rates have fallen.

But the point should be emphasized that it is longrun technological change which has produced maturity and the sudden drop in the birth rate which has made it so visible and so vexing.

The outline for these hearings indicates, and I quote from the outline I was sent:

> * * * the Federal Government faces the two dilemmas of whether or not to promote balanced national growth by influencing population redistribution and of whether to aid individuals and/or areas.

Well, it has been the purpose of my testimony to indicate that meeting human needs in declining areas by reversing population redistribution, however desirable it might appear, is unlikely to be very effective. The technological and economic forces that would have to be overcome are powerful; they are persistent; they are pervasive.

There is no doubt that there is a regional dimension to the phenomenon of maturity. The larger SMSA's which are most subject to maturity are mainly in the Northeast and Central regions; and older, more compact SMSA's are more vulnerable.

In addition, the regional dimension is important in the economic adjustment to secure income convergence, but the regional dimension of per capita income redistribution seems in large part an incidental aspect of what is really redistribution from high to low income counties in general.

I find it somewhat ironic that public interest in influencing regional population redistribution is occurring at just that point in time when real progress in adjusting to maturity seems underway. Thanks mainly to rising relative prices of new housing, decay and abandonment of inner city and near suburban properties is abating. Obviously, no one likes the rising cost of new housing, but it is unlikely that older housing could have become more attractive without the rise having occurred.

Similarly, many will be inconvenienced and some may suffer as a consequence of the sharp cutbacks in local public sector employment that are underway, but the prospects of widespread local fiscal collapse have seemingly been eliminated, substantially at least, by a willingness to cut back on services. Even crime rates have shown recent real drops in many major cities.

One of the problems of the mature metropolis does remain, however, and seems stubbornly resistant to change, and that is the mismatch between the skills of the disadvantaged innercity poor and the jobs available to them. Here, too, there is an observable regional dimension. Disadvantaged and minority populations are more concentrated in the cores of SMSA's.

Correspondingly, policies aimed at aiding individuals and areas directly rather than achieving balanced national growth will have a regionally observable dimension, after the fact at least. But that is far different from seeing the problem of the urban disadvantaged as a reflection of the emergence of regional imbalance and seeing the improvement of their lives as lying in the reversal of that imbalance.

In the United States, at least, the problem of meeting the employment needs of the disadvantaged is further complicated by the consideration that not just jobs, but jobs that are meaningful and can compete with welfare possibilities, are needed.

In fact, the major thrust of the President's urban message seems to be that we must fix things up in the cities so that things can be better for the poor who live in them. And just as the phenomenon of maturity is not peculiarly American, neither is the apparent desire to treat the associated problem of skills-jobs mismatch in the inner city as soluble through geographic redirection of economic activity. I refer you to the recent debate on the inner areas bill in the House of Commons with regard to an attempt to achieve pretty much the same thing through a redistributive mechanism.

But what this hope really comes down to is the hope that enough economic activity can be enticed back to the mature metropolis to make life meaningful and rewarding for those who are there. Attempts at promoting this are perfectly appropriate and can do much to ease the adjustment which will be needed as maturity takes deeper root.

But the needs of the disadvantaged are simply too pressing and too serious for us to believe that they can be made to go away as a consequence of some regionally redistributive sleight of hand. There is just not enough of the right kind of pie to go around. For the most part, "meaningful jobs in the private sector" mean industrial jobs when we are dealing with low-skilled workers who expect more than minimum wages and prospects for advancement. By 1975, there were 2 million fewer manufacturing jobs than there were at the beginning of the decade.

If we are to provide meaningful opportunities for the urban disadvantaged of the north and central regions by more carefully balancing manufacturing, this is going to have to mean absolute declines for the South and the West, barring a return of industry from Southeast Asia.

There is an alternative, of course; namely, getting those trapped in disadvantage to be able and willing to bake more of the right kind of pie. In part, this may produce some turnaround in the mature metropolis. In part, it may bring people back to the central and northeast regions, but it also might just mean that many more of the presently disadvantaged will wind up in suburbia, ex-urbia, or small towns, or maybe the poor themselves will simply head south and west in large numbers.

Just how to make those with deprived backgrounds, low skills, and frustrated motivations more productive is not the subject of these hearings, but it does seem clear that this is unlikely to be achieved by something called "balanced national growth."

On the other hand, if some way can be found to deal effectively with people and specific localities in economic need, metropolitan America in general, even with maturity, is likely to do quite nicely without elaborate new initiatives aimed at balanced growth as such. Thank you.

Mr. **Akaka.** Thank you very much, Dr. Leven. Dr. DaVanzo, please.

STATEMENT OF JULIE DA VANZO, ASSOCIATE ECONOMIST, RAND CORP.

[Prepared Statement in Appendix on p. 186.]

Dr. **DaVanzo.** As Dr. Leven noted, with birth rates falling, migration has become increasingly important in determining whether areas grow or decline in population. The changing head counts have important consequences for localities because their derived revenues, as well as their representation in Congress, are based on the size of their population. Migration affects not only the number of people in an area but also their composition, with important consequences for the size of their tax base and their public service demands.

My testimony focuses on the characteristics and motivations of people who move. I will address the following questions: What are the demographic characteristics of migrants? Which members of the labor force are most mobile? Are unemployed workers more likely to move than employed workers? Do local labor market conditions influence migration decisions? Do higher welfare benefits attract migrants? Are people who actually receive welfare more or less likely to move than those who do not? How might a Federal income maintenance program affect population redistribution? And, finally, how could public policy render migration more efficient for individuals and areas?

In preparing this testimony, I have drawn on a number of studies done at the Rand Corp. supported by the National Institute of Child Health and Human Development of the Department of Health, Education, and Welfare, the Employment and Training Administration of the Department of Labor, and the Economic Development Administration of the Commerce Department.

Since the main concern in these hearings is with geographic redistribution of the population and with declining and growing areas in particular, I will focus in this testimony on migration—moves from one labor market area to another—and will not talk about local residential mobility, which is more frequent but tends to reflect mainly housing adjustments.

Migration is a highly selective process. The personal characteristics of migrants differ considerably from those of nonmigrants. The typical migrant is in his or her twenties. A large number of migrants are completing their schooling, entering the labor force, entering or leaving the Armed Forces, marrying, and forming families. These activities predispose these people to move frequently until they are well into their thirties.

The typical migrant has 2 years more education than the typical nonmigrant and is more likely to have a salaried professional occupation or to be in another type of white-collar occupation.

For labor markets, migration is an equilibrating mechanism. Evidence suggests that migrants do generally move from areas where jobs are scarce or wages are low to areas offering brighter prospects.

Unemployed workers, as well as those who say that they are dissatisfied with their jobs, are indeed more likely to move than people who are apparently satisfied with their current employment. However, the unassisted migratory response to unemployment is sometimes weak and uneven. It is weak because the people who are most prone to unemployment—those with low education and low skill levels—are the people who are intrinsically least mobile.

Evidence suggests that, in addition, what may really prevent unemployed workers from moving is lack of awareness of their choices. A survey in the mid-1960's showed that many residents of depressed areas felt that conditions in their current area of residence were as good or better than those in other areas.

Nevertheless, a recent Rand study finds that unemployed persons are more likely to migrate than employed persons, that they are more likely to leave areas with high unemployment rates than areas with low unemployment rates, and that they are responsive to opportunities elsewhere.

Unemployed workers who are recent arrivals to an area are especially likely to migrate again. Many of them return to the locality they recently left. For many of these return migrants, it appears that the undesirable consequences of one move become the causes of the next.

The problem here may lie in careless planning of the initial move. Often these people base their decisions on limited and imperfect information. Evidence suggests that they often have no information about the place to which they move before they arrive there and that they chose that place because it was a place where they had friends and relatives. Perhaps their limited financial resources necessitated their restricting their range of choice to places there they had friends and relatives so that they could rely on these friends and relatives for room and board while they looked for a new job in a new place.

These findings, though not definitive, are clear enough to suggest a potential role for public policy. That role would be to strengthen the economic effectiveness of migration by enabling unemployed potential migrants to plan more effectively and by supplying them with information to broaden their range of choice of potential destinations considered.

Several experimental relocation assistance programs have demonstrated that many unemployed workers who are willing to relocate can be helped to find jobs and increase their earnings elsewhere.

While some policies, such as relocation assistance, might affect migration directly, others may have inadvertent influences. There is considerable controversy over the question of whether welfare influences migration. For example, it is widely believed that low-income persons go to places like New York City as welfare seekers, drawn there by the generous levels of public assistance. A recent Rand study reached a contrary conclusion. It found that needy newcomers start using the welfare system only gradually and that their delay in doing so is more easily interpreted as due to discouragement in finding work rather than to a prior motivation to move to New York deliberately to claim welfare benefits. Findings from other independent studies corroborate this point—that the welfare-seeking migrant is largely a myth.

If anything, actual receipt of public assistance seems to reduce the migration of poor families, suggesting that welfare recipients tend to pile up in cities not because of high inmigration there but because of low outmigration.

Analyses of the Seattle-Denver, and Gary Income Maintenance Experiments suggest that the introduction of a negative income tax type of income maintenance program may increase the geographic mobility rates of recipients. It appears that receipt of such payments eases the financial constraints on moving and enable families to consider a wider range of alternative destinations than they might have otherwise. In the Gary Experiment, families receiving experimental payments were somewhat more likely to move further from Gary than families not receiving such payments, to move to large urban centers, and to move to places where they had not lived before or to places where they had no friends and relatives.

All in all, the body of research evidence suggests two things. One is that for the majority of people who move migration seems to work well. Migration not only improves the lot of these individuals by increasing their earnings or lessening their likelihood of unemployment. but also generally has beneficial effects on the areas involved by transferring labor from areas where jobs are scarce or wages low to areas having the opposite characteristics.

Where private market forces seem to be directing migrants to and from the correct places and benefiting the individuals who move as well, there seems to be little need for policy to tinker with a mechanism it probably cannot improve.

However, there is a small subset of migrants and areas who do not appear to benefit from migration. Some less-advantaged citizens appear to base their moves on limited information. They do not prearrange jobs, often they do not have information about the place to which they move before they arrive there, and they frequently restrict the range of potential destinations considered to those where they have friends and relatives. In these cases financial relocation assistance and information about alternative labor markets might enable these individuals to broaden their range of choice and to make moves that are likely to be more successful for them and for the areas that they join.

A more difficult problem is the potential detrimental effects of migration on certain areas. As the most productive members of a labor force move away because of the selectivity of migration, areas with few worthwhile employment opportunities (declining areas) are left with a labor pool of diminished potential. What begins as an economic adjustment can over time become a leaching away of local human capital. The tax base erodes and the public service demands do not shrink.

Areas experiencing rapid growth present other problems. As in the case of declining areas, the problem stems from the fact that the social costs and returns of migration are sometimes different from the private ones. Whether an area should be allowed to restrict entry of in-migrants who wish to live there is a question with important ethical, legal, and economic implications and has no easy answer.

With the possible exception of relocation assistance, there seems little need for public policy to try to influence migration directly. However, there does seem to be a need for increased awareness that many government programs may affect population redistribution inadvertently. For example, interstate highway growth in the South is often suggested as one reason for that area's recent growth, as were aerospace programs for the West's growth in the previous decade. State differentials in welfare benefits may have some influence on migration, although not as large as many people believe. Welfare reform, the equal rights amendment, and other programs currently under consideration may also inadvertently affect individuals' costs and benefits of migrating and, in so doing, affect their likelihood of moving and their choice of destination.

Mr. **Akaka**. Thank you very much, Dr. DaVanzo. May we call on Dr. Birch?

STATEMENT OF DAVID L. BIRCH, DIRECTOR, PROGRAM ON REGIONAL AND DEVELOPMENT CHANGE, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

[Prepared Statement in Appendix on p. 202.]

Dr. **Birch**. Thank you. In my prepared statement, I covered three main areas. First, I tried to describe some of the things that seemed to be happening; second and, I think, more importantly, I described how these things are happening; and, third, I discussed what a reasonable response might be.

Regarding what is happening, I think Professor Leven summarized much of what I would have said very eloquently and I see no point in repeating it. The redistribution of population out of metropolitan areas, the decline in the birth rate (and, therefore, the unmasking of that redistribution), and the spread of the networks of various kinds (telecommunications, highways, and so forth) have all had a big effect on the thinning out of cities and, now, of whole metropolitan areas.

I am more interested in how it is happening and I would like to spend a little time on that. We have gone into fairly microscopic detail in summarizing the processes by which the change is taking place. We have built up a file of 5.6 million business establishments and traced their history over a 7-year period. We have also built up a file of 1.5 million members of the workforce and every job they have held over an 11-year period. So we can watch the processes by which jobs and people are changing.

Starting with businesses, we realized that there are only six ways that jobs can change in an area. Firms can either be born or die (in other words, they can be formed or go out of business), they can expand or contract, or they can move in or they can move out. These are the only ways that employment change can take place.

We found a number of interesting things by looking at firms one at a time rather than looking at them in aggregate. The first thing we found was that virtually no firms migrate long distances. There were a few textile companies, a few shoe companies, a few apparel companies in the early and middle 1950's that did migrate in the sense of picking up their belongings and moving south. That has not been repeated. And, ever since, say, 1960, migration of firms has been virtually negligible.

Mr. **Stockman**. Are you talking primarily about manufacturing firms?

Dr. **Birch**. All firms.

Mr. **Stockman**. This would include construction, retail, finance——

Dr. **Birch**. Correct. Virtually no firms migrate from one area to another. They tend to move within cities, mostly short moves. They do not tend to move across metropolitan area boundaries. Furthermore, the inflow is counterbalanced by an outflow. The two are nearly in balance.

Second, we found that the losses of jobs—ignoring outmigration, because it does not amount to anything—through the death and contraction of firms are more or less the same everywhere and are fairly high. If you sum up the job losses due to contraction and/or the death of firms in combination, it amounts to about 7 percent of the job base every year, regardless of where you are. It does not even vary much between central city and suburb and it does not vary much between Buffalo or Syracuse and Tucson or Phoenix or Ft. Lauderdale. New York City is not losing more jobs per year due to these reasons than any other place. That surprised us somewhat, but job losses do not seem to be a spatial phenomenon.

Therefore, all of the net change which is relected in the aggregate statistics of decline is attributable to where new firms are established or existing firms decide to expand. That explains all the difference. If they expand or form at the rate of 3 percent a year and decline at 7 percent, there is a net loss of 4 percent. If they expand at 10 percent a year and decline at 7 percent, then there is a gain of 3 percent. It is that process that we then began to study carefully.

It seems that most of the job creation is done by younger firms and by small and middle-size firms headed primarily by independent entrepreneurs, not by large corporations. It is not the large multibranch corporations that are having the major effect on differential job creation.

The key to the spatial growth, therefore, is finding out where these entrepreneurs want to set up shop. They seem to be following a complex pattern. The pattern reflects a mix, I think, of living preferences as well as the cost of doing business. Many of them are locating in low labor cost areas in the South. Others are in Florida, Texas, Arizona, Colorado, and California, which are very high cost areas. The labor costs and transportation costs are higher in these places than the national average. You certainly cannot argue that these areas are stealing firms from the Northeast on a cost basis. They are obviously offering something else. It could be argued that they are offering a climate, a lot of recreational opportunities, and a good physical environment and low-density living; but not all of the places that are growing are the typical, "sun and sea" kind of places. They are places like New Hampshire, Maine, and Vermont. They are upstate Michigan, northern New Jersey, sections of Colorado, and Idaho.

So the pattern is almost countermetropolitan rather than Sun Belt versus Snow Belt. In fact, the last time I looked at the numbers, 8 of the 20 most rapidly growing States in the United States were in the Snow Belt, not the Sun Belt. This is in percentage, not absolute, terms, but I think it is important to recognize.

Population, of course, is following much the same pattern. We have a highly mobile nation. It is not at all uncommon for 8 or 10 percent of the population of an area to turn over annually, and that gives us a lot of chances to adapt to change. And, as Professor Leven has pointed out, the response of people in the northern and midwestern cities has been to capitalize on the entrepreneurial moves and to go where the entrepreneurs are going.

If you want to think about a response to this transformation—and I think it is a major transformation—I think the first step—and again I would agree with Professor Leven—is to recognize that such change is taking place, that it is under the influence of very strong forces, and that it is not likely to go away. I do not think there is any notion of reversing what we are talking about.

The second step, I think, is to realize that it is not necessarily bad. We are so hooked on growth as a concept, that we have come to assume that it is essential in our population. I do not think that is necessarily true.

As we interviewed and talked to people, they almost uniformly preferred lower to higher densities. It is hard to argue that there is any advantage in the extraordinarily high densities we have built up in many of our cities and metropolitan areas.

The argument that decline—population decline or employment decline—creates a fiscal crisis does not seem to hold very much water. Terry Clark at the University of Chicago has looked carefully at the causes of fiscal strain on city governments, and there seems to be no relationship at all between the rate of growth or decline of a city and its fiscal problems.

New York is a big city and it is having fiscal problems, but that does not extrapolate out to most places. Pittsburgh is a favorite example because Pittsburgh has been declining the longest, it has been declining the most, and it is in fiscally better shape than many other cities. Pittsburgh did what it had to do in order to keep itself in good fiscal condition, and there are many other cities, like Schenectady, in the Northeast that have done the same thing.

Mr. **Stockman**. What was that?

Dr. **Birch**. What was what?

Mr. **Stockman**. What did Pittsburgh do?

Dr. **Birch**. Well, according to Professor Clark, for example, in one 2-year period Pittsburgh diminished its municipal employment by 25 percent through attrition only—by nonreplacement. I think they have taken a fairly hard line in some of the negotiations with the municipal unions. I think they are also doing a lot to revitalize their downtown. From what I gather, they are still revitalizing it at a fairly substantial clip. So Pittsburgh's downtown is in increasingly better condition, its fiscal health is quite good, and it is one of the most rapidly declining cities in the country.

I would not argue that decline is easier to manage than growth. I am, simply, arguing that it is manageable. It is not easier politically; it is hard. The mayor of Pittsburgh went through a very rough period when those employees were not rehired.

I think, as we learn to live with decline, our main goal should be to help people who cannot adapt to decline, rather than the places that are experiencing it. I think that should be our focus. I do not think we are going to turn decline around, but I think we can do a lot to help the people who are caught by it. I think the elderly are a classic example of people who are not mobile and who do not change easily. The poor, the undereducated, and the undertrained are another group that Julie DaVanzo mentioned as having narrower horizons and probably less opportunity to seize options elsewhere. I am not exaclty sure how, in the complex of Federal programs, to cope with these groups. A moving allowance of some kind might be an interesting idea.

Another idea that I have toyed with would be a set of national payments, rather than local payments, for welfare, income maintenance, unemployment compensation, and health care. Many of the people caught in municipalities of one kind or another are caught there because of an affiliation with the municipal government from whom they receive their support. If those payments came from something like the Social Security Administration rather than coming from a local municipality, as Dr. DaVanzo pointed out, that might enormously increase the ability of people to move from one place to another while having a source of funds in the process. It would become in effect a form of moving allowance.

At the same time, I do not think we should do things that accelerate decline. The faster decline takes place the more difficult it is to adapt to it. Much state legislation at this point is enormously perverse in this regard. My favorite example is to compare Massachusetts to New Hampshire, in both of whose backyards I sit. Massachusetts is declining and New Hampshire, right next door to it in the North and in the Snow Belt, is booming. In fact, at one point in the early 1970's southern New Hampshire was growing as fast as Florida.

When you ask entrepreneurs in New Hampshire why they are in New Hampshire and not Massachusetts, they immediately give you the same list every time. The list includes the fact that there is no tax loss carryforward legislation in Massachusetts. An entrepreneur who starts up a business in Massachusetts gets taxed at the full rate the first year he makes a profit regardless of the losses incurred up to that point.

The Massachusetts unemployment compensation system is very punitive; as is the workmen's compensation system. The personal income tax is very offensive to managers, and it is managers who are making entrepreneurial location decisions. The sales tax in Massachusetts is considered to be very onerous. There is a lot of very similar antibusiness legislation in the cities. If places like Massachusetts are going to decline gracefully, I think they are going to have to tip the balance back in favor of the entrepreneur before the entrepreneurs are all gone. And a lot of them are going.

Also, I do not think we can ignore the esthetic side of things. If we are going to hold any entrepreneurs and workers in cities over the next decade, cities are going to have to become more attractive places to live. Professor Leven pointed out that rising housing costs are beginning to affect the quality of the central city housing stock. I think that is very important. But, also, in Boston, where I come from, projects like the Waterfront Park and the Quincy Marketplace have had a tremendously positive effect. I was very surprised to read the other day that as many people visited the Quincy Marketplace last year as visited Disneyland. That is at least as important to the city of Boston as the revitalized French Quarter is to New Orleans.

In sum, I think we are going to have to stop thinking about decline as a bad thing. We are going to have to learn to live with it. We are going to have to figure out how to help those who cannot. And, we are going to have to figure out ways to turn what remains into an asset rather than a liability.

Moon Landrieu, the recent mayor of New Orleans, put it as succinctly as anyone when he said, "If you happen to have a lemon on your hands, you might as well learn how to make lemonade." I think we have to spend the next several years learning how to make lemonade. Thank you.

Mr. **Akaka**. Thank you very much, Dr. Birch. Dr. Bahl? Oh, I am sorry. Dr. Downs?

Dr. **Downs**. I will defer to Dr. Bahl. He precedes me in the alphabet as well as in many other ways.

Dr. **Leven**. In age.

Dr. **Downs**. Indeed—all kinds of things.

STATEMENT OF ROY BAHL, DIRECTOR, METROPOLITAN STUDIES PROGRAM, THE MAXWELL SCHOOL, SYRACUSE UNIVERSITY

[Prepared Statement in Appendix on p. 268.]

Dr. **Bahl**. I will be brief. My written statement is a summary of work that has been underway at the Maxwell School the last 4 or 5 years, financed by the National Science Foundation, HUD, the Department of Transportation, and the Ford Foundation. What I will do now is summarize some of the results of that work.

I would like to make three points about the relationship between population decline and the fiscal problems and outlook for large urban governments. I would like to talk for a moment about the nature of the fiscal effects; I would like to suggest the concept of an overdeveloped public sector, which I think characterizes State and local governments in the Northeast; and, third, I would like to talk about what might be a reasonable set of policy directions that the Federal Government might take—perhaps what I would have put into a national urban policy.

First, on the question of fiscal effects, you are well acquainted with the kinds of population losses that have gone on in the Northeast and parts of the Midwest and with the compositional changes that have occurred. Conventional wisdom really says something like, "As you lose population, on one hand there ought to be opportunities for reducing public expenditures by large city governments, and, on the other hand, the compositional changes ought to drive spending up because you have a residual of higher cost citizens left in the urban area."

I would suggest that this is not as true an explanation for the increase in expenditures as is the fact that the cost of public services continues to rise irrespective of what happens to the composition of the population, that public employee wage rates are sensitive to the rate of inflation, that pension and fringe benefit costs are costs which many urban governments are locked into, and that today's debt service costs are the results of commitments made long ago. There is not much controllable and there is not much response in local government budgets to changes in population composition.

On the revenue side, population loss itself is not bad for the tax base. What is bad is the kind of job loss that has gone with it. My colleagues and I tried to estimate the revenue loss implications of the loss of a job resulting from the outmovement of a firm from New York City at the time of the fiscal crisis. We found that the loss to municipal revenues was about $800 per job. Now, if the number of jobs in New York had grown at the national rate from 1965 to 1975, there would have been a million more jobs. A million jobs times $800 per job is pretty close to the city's deficit at that time. So the effects of population decline and job loss on the public finances of a city are tremendous.

The second point I would make about fiscal effects is that we cannot think only about interregional migration. What we often hear about are the characteristics of interregional migrants. That paints a bad enough picture for the fiscal outlook for cities; but then, as David Birch pointed out, most of the job change has not occurred because of regional migration but because of firm death and city-to-surburb migration. City-to-suburb job loss is important because, even in declining regions, the overall loss or decline in the tax base in metropolitan areas is not as great in the suburbs as it is in the cities, and because the constituency in the State legislature continues to build in favor of that suburban interest and against the central city interest.

My second point involves the concept of an "overdeveloped" State. What has happened—if you look at the rate of growth in personal income or jobs—is that the southern tier of States is growing around one-third faster than the northern tier of States. Take a particular case, my own State of New York. Over the last decade one would have expected to find a response in the growth in public revenues and public expenditures which would have been parallel to economic growth—about one-third less than the rest of the Nation. What you actually find is that, to the contrary, in New York and in the northern tier of States, general revenues raised from their own sources grew at about the same rate as in the rest of the country. There was no adjustment to the slower economic growth that was occurring.

As a result, you get a case of an overdeveloped public sector. New York State has a per capita personal income that is about 9 percent above the national average, excluding transfer payments and not adjusting for cost of living differences, but expenditures of State and local governments in New York on a per capita basis are about 50 percent above the national average. The public sector is simply overdeveloped. As a result, there must be some kind of adjustment at the State and local level to bring about a better balance between the capacity to spend and the actual level of spending.

Now the problem is really complicated by the fact that the level of public services which must decline is already among the highest in the United States. How do you bring about that kind of decline?

Mr. **Stockman**. Can I interrupt just one second, Dr. Bahl? Are you saying that the economic base was growing slower in New York City and other typical central cities but that the rate of revenue collections from their own sources was growing equal to the national rate?

Dr. **Bahl**. No, I was talking about New York State.

Mr. **Stockman**. OK, New York State.

Dr. **Bahl**. Well it makes a big difference, I think. I took New York State and I aggregated all State and local governments in the State and I compared it to the same aggregation in the rest of the country.

Mr. **Stockman**. Revenue collections were growing at an equal or a parallel rate, but economic bases were growing at a less than average rate.

Dr. **Bahl**. That is correct.

Mr. **Stockman**. That implies that the tax rates were rising.

Dr. **Bahl**. That is right.

Mr. **Stockman**. Wouldn't you conclude that that exacerbated the outflow of economic activity?

Dr. **Bahl**. Certainly. What happened was that by the end of that period that I was talking about the level of taxation in New York relative to personal income was far and away the highest in the country.

The rest of the story is that whether or not we know for sure that high levels of taxes cause firms to move or not, businessmen say that they do and State and local government officials believe that is true. It may be.

In any case, what happens in New York State is that there is to be a reduction in the personal income tax, because this tax is thought to have particularly undesirable effects on the location decisions of businesses. The situation then becomes one of a State with a very high level of public services and a very high level of taxes having to reduce both in order to remain competitive.

The problem is how to do that when more than half of the fiscal decisions in the State are made at the local government level. This leads me to a couple of comments about what Federal policy might be in this regard.

First, I would argue that there is a transition period underway; that it is going to last for awhile; that the emptying out of population and jobs from cities has not finished; that States like New York and other States in the Northeast are becoming the average States in this country and will be the average States very soon; and that their public sectors have to adjust to an average level.

All of this is premised on the fact that you cannot have very high levels of taxes and be competitive. But there is a danger. The danger is that if taxes are important and you want to affect industry location decisions, you probably ought to cut personal income tax. If it is true that any tax affects industry location decisions, I would guess that it is that one. So I think the Governor of New York has made the right choice in terms of the tax to reduce, but that is the most progressive tax in the system. The kinds of reductions that are likely to have a positive effect are reductions that will alter the distribution of income in the wrong way.

Moreover, you cannot cut taxes without cutting spending. So where do you cut spending? Well, many States in that region spend about two-thirds of their total on health, education, and welfare. It is only logical to expect that the expenditure reductions during the transition will come in the areas of health, education, and welfare; but those are the services that benefit the poor relatively more. So you are cutting taxes to benefit the rich, and you will likely have to cut expenditures and burden the poor. The resulting redistributional effects are not very pleasant.

A major role of the Federal Government ought to be to assist States in making this transition by assuring that low-income residents of the States do not bear the burden of the transition. That would suggest a strategy for the distribution of Federal moneys. It would certainly suggest "targeting," if you will let me use the term, rather than "spreading." That is, rather than allocating less of the Federal share to the most distressed cities, it would argue to allocate more.

I also believe that it would call for a strategy of compensation rather than a strategy of revitalization. Revitalization, if it means restoring cities to their previous levels of population and economic activities, just is not in the cards. Compensation, if it means bolstering the fiscal capacity of local governments to take account of the unfavorable effects of population and economic decline, would make more sense as a strategy. It does not mean throwing in the towel and saying that cities are going to become sandboxes or all the other things that they have been described as. It means getting through this transition period by somehow keeping the level of social services at some minimal level.

The point about the fiscal crisis being over—an allegation that we hear a lot these days—is based on two observations. One is the measure of the surplus in the State and local sector, and we all know what a bad measure that is. Apart from the fact that it includes the pension funds and all capital construction expenditures, it masks the kinds of variations that exist across States and within States. No one would argue that because New York State has a surplus that New York City's level of public services is adequate. That is not a good argument.

The other observation is that there have not been more New York's since 1975, and therefore things must be better. There are three good reasons why there have not been more New York's, and you can argue that those three reasons are not going to be with us indefinitely.

The first reason is economic recovery; recovery has helped certain cities, but, on the other hand, most central cities have not shared in the recovery to the same extent as the rest of the country. And who knows how long a sustained recovery will continue?

The second reason is that the growth in direct Federal aid was enormous over the last 10 years. You know the ACIR table that we all have read recently that shows that the ratio of direct——

Mr. **Scheuer**. Would you explain what ACIR stands for please?

Dr. **Bahl.** Sorry. The Advisory Commission on Intergovernmental Relations calculated the ratio of direct Federal aid to local governments divided by local government revenues raised from own sources. Even in the past 6 or 7 years those percentages have risen from, in the case of the big cities, around 20 percent to as high as 50 to 60 percent in some cases. It is an enormous revolution in fiscal federalism, and I do not think any of us believe that these kinds of increases are likely to continue.

The third reason why problems are ahead is because big cities have deferred expenditures. You know, 12 of the 20 largest cities in the United States have reduced their numbers of public employees over the last 2 or 3 years. Well that is a kind of retrenchment, but it also suggests that public service levels may react downward. There has also been a deferment of replacing capital as it has become obsolescent in many of these cities. So there may be fiscal problems ahead for some of the largest cities.

I guess the last thing I would say is that I looked in the administration's urban policy statement for some kind of an indication as to what the role of the State government ought to be, because if you buy this notion of decline, particularly in the Northeast, then you have to argue that decline has to be managed and that would seem to argue for an important role for State government.

Take the case of the possibility of welfare reform. If there were reform in welfare financing, very few cities in this country would benefit directly, because very few cities have direct responsibility for welfare. The benefits would come only if the State governments made some sort of adjustment so that, indirectly, urban governments would be aided.

There probably ought to be Federal premiums and Federal penalties in defining a State role. Certainly State targeting of moneys so that State aid would be channeled more effectively to the most distressed areas would be high on the list. The formulation of some kind of a State urban policy to which they could be held would also be on the list.

And, last, the notion of fragmentation of government argues for a State role. Fragmentation is a characteristic of the Northeast and parts of the Midwest and less so of the newer and more fast growing regions. Because you have fragmentation, you have the possibility of job movement to the suburbs and a reduction in the tax base of the central city. That cannot happen in Nashville, it cannot happen in Houston, and it cannot happen in Jacksonville and a lot of other places, but it does happen in the Northeast because of fragmented government. And with State legislatures becoming increasingly suburban-dominated, it does not appear that there is going to be any kind of State action to offset that. What needs to happen is that the next round of Federal moneys to States, if there is a next round of Federal moneys to States, ought to carry some kind of incentive for States to do something either about legislation permitting government reorganization or, more likely, authorizing regional financing of public services.

Mr. **Akaka.** Thank you very much, Dr. Bahl. Dr. Downs?

STATEMENT OF ANTHONY DOWNS, SENIOR FELLOW, BROOKINGS INSTITUTION

[Prepared Statement in Appendix on p. 218.]

Dr. Downs. Well, I was asked to testify on a much narrower subject than the broad subjects covered by the people who have already spoken. I was supposed to talk about housing markets and city population losses and so I will confine my remarks to that as that is what my written testimony concentrates on.

I would also like to point out, as is required by the Brookings Institution of which I am a senior fellow, that all of my remarks are my own opinions and not necessarily those of the Brookings Institution.

My first main point is that the process of population movement and urban development that is causing large cities to lose people and jobs is a two-faced process with both positive and negative aspects that are inseparable from each other, or have been up to now.

The biggest movement has been from central cities to their surrounding suburbs. The positive aspect has been that this suburbanization of population has been essentially an upgrading process for most households and firms involved. It has improved the housing, neighborhoods, and quality of life for millions of Americans—both these who moved into the suburbs and many of those within large cities. Those cities were initially overcrowded when this movement began at an acccelerated rate in the 1950's.

So, the objective of reversing the outflow process is probably undesirable, since, on the average, it has been basically an upgrading process.

However, it also has had a negative aspect: This process has imposed large social costs on many households left behind in areas of concentrated poverty, and upon city governments serving those areas. The latter are in fiscal difficulty, or at least fiscal strains.

So I agree with Dr. Bahl that our society should devote significant efforts to remedying the imposition of the costs of progress upon households and governments that have been unjustly bearing such costs.

Another key aspect of the process of suburbanization and urban development is that it has gone too far in many metropolitan areas. Looking at housing markets alone, we are now building new houses to displace existing homes that are still in relatively good condition or that certainly could be rehabilitated to serve well for many years.

The rapid building of new suburban housing in stagnant or declining metropolitan areas is causing both a desirable replacement of obsolete old housing in the cities and also an undesirable replacement of still serviceable existing housing. It is very difficult to distinguish one from the other.

On average, in those metropolitan with central cities that lost, over 10 percent of their population from 1970 to 1975, three times as many new housing units were built in the metropolitan area as a whole as was necessary to accommodate the increase in the number of households in that metropolitan area. That tremendous surplus of housing in effect depopulates these central cities by attracting people out of them. There is a very close relationship between the high ratio of new housing built to new households added and the decline of population in central cities.

This generates a process of neighborhood decline that is going on in many cities at the same time that other neighborhoods in those same cities are being renovated and rehabilitated. It is the neighborhood scale at which both trends occur, but observers confuse it with the city wide scale. So they falsely conclude either that cities are dying or that cities are reviving, depending on which set of neighborhoods they look at. In fact, cities are doing neither, but neighborhoods are doing both simultaneously.

My second main point concerns the process of household upgrading in socioeconomic status that is going on in cities. It is an historic function of our large cities and has two different forms in American neighborhoods. The circumstances under which these forms occur have changed so as to make the formerly dominant form less appropriate than it was in the past. It is, however, very difficult to shift from that dominant form of upgrading to the other form.

The traditionally dominant form of the upgrading of American households is upgrading through movement from one neighborhood to another. As a household rises in socioeconomic status in the neighborhood where it is located, it typically responds by moving to another neighborhood which has higher socioeconomic status: A process which I call creaming.

This process requires a hierarchy of different neighborhoods with varying socioeconomic status in each metropolitan area, each of which is relatively homogeneous internally. People move from one to another as they move up in status.

This creaming process was probably the most appropriate means of upgrading as long as there was a constant stream of newcomers at the bottom. They flowed only into the lowest status neighborhoods because it was illegal for them to occupy housing elsewhere that was cheap enough for them to afford. We have prohibitions against the creation of such new cheap housing in almost all parts of the country. Those prohibitions keep low-income households from moving directly into new growth areas. In earlier periods, we had a constant inflow of newcomers into our metropolitan areas. They moved into the lowest income and lowest status neighborhoods. These newcomers were a mix of potentially upgradable and nonupgradable households. Their constant arrival put pressure on somebody to move out of those neighborhoods. Therefore, it was appropriate for people who were upgrading at the other end to move on to so-called better neighborhoods.

But when this inflow of newcomers stopped around the mid-1960's, continued upgrading through movement tended to leave a residual group in those lowest status neighborhoods that consisted of the people most difficult to upgrade. Their dominance of these areas caused the areas to be economically and often socially nonviable. It also tended to drive all upgradable households somewhere else.

So today the other form of upgrading, which can be called upgrading inplace or social solidarity upgrading, is really more appropriate as a means of improving city neighborhoods. It means that the households who upgrade themselves stay in the same location where they started, instead of moving somewhere else. Either they stay there passively—they do not do anything particularly to help the neighborhood—or they actively attempt to organize and improve the neighborhood. But it is difficult to get American households who have upgraded themselves to do this unless: No. 1, they have some specific ties to the neighborhood concerned, such as ethnic identity or love of diversity; or No. 2, the area has such an outstanding location that it will cause high income or upwardly mobile households to remain there even though they are still surrounded by nonupgraded households.

Furthermore, the process of constantly expanding new housing areas in the suburbs tends to encourage further creaming of upgraded households out of the central city, rather than upgrading in place. This shows there is really a fundamental conflict of interest between those groups who are aided by more new suburban housing—which is probably a majority of the population, not just the building industry—and those aided by creating stronger demand for housing in the central cities. When we create lots of new housing in the suburbs, that expands the range of housing choice for all households in the metropolitan area, including the poorest. But it also weakens the demand for housing in inner-city areas, causing deterioration, lower tax bases, and other things that already have been discussed.

My third main point is that public policies to cope with this situation cannot work well solely at the neighborhood level. They must be developed at least at the citywide level and probably will not work there either. After all, it is at the metropolitan areawide level that the forces generating these movements are in fact occurring. However, we do not have adequate institutional structures for creating and carrying out policies at all of these levels or even relating them to each other.

At the neighborhood level, there is a fundamental problem because the ownership of properties is highly fragmented among individual households, but there is an inherent interrelationship between the values of individual properties. Each housing unit's value is very much influenced by what is happening to the other housing units around it. But the owner of that house cannot influence how the owners of the surrounding houses are in fact managing their property. This conflict between fragmentalized ownership and interdependent values causes a volatility of maintenance behavior in neighborhoods. Each house owner's maintenance behavior is dependent upon his expectations about how his neighbors will behave. If he believes they are all going to maintain their property, then it pays him to maintain his. If he believes that they are not going to maintain their properties then it does not pay him to maintain his. This creates a fragility of property maintenance by making it dependent upon future expectations of all the people in the area about each other's behavior.

This fragility of attitudes becomes combined with the impacts of constant homebuilding in the suburbs, which is partly a response to the demands of people to move to lower density areas. Such constant new building in the suburbs causes a drop in demand for housing in the central city which must be expressed somewhere by more vacancies in the central city. When that vacancy appears, it begins to influence people's expectations about the future of their neighborhoods. Then they all begin failing to maintain their property because it does not pay them to do so if they all expect the neighborhood to deteriorate anyway.

This whole process cannot be stopped at the neighborhood level alone, because the basic decline in population and housing demand is not generated at the neighborhood level alone. So any policies that attempt to deal with this solely at the neighborhood level are bound to fail, at least in many areas.

At the citywide level, several different strategies can be used to cope with the decline in overall demand for housing within the city. I am just going to name them, because the paper I submitted to you has detailed explanations of them, which I do not have time to explain within my 2 remaining seconds. The focused market weakness strategy focuses all the decline in demand in the worst quality neighborhoods; the spreadout thinning strategy attempts to spread the decline in demand everywhere so that no neighborhood is adversely affected; the focused market strength strategy concentrates attention on improving good neighborhoods and does not say anything about bad ones; and the rhetorical revival strategy, which is the most commonly encountered, may in some cases actually work, although in most cases it will not.

Which strategy is the most appropriate depends on how large a fall in demand for housing has occurred in that particular city. That varies tremendously from one city to another. It also depends on how bad existing deterioration is already in the worst areas, and how many resources are available to counteract that deterioration. No single strategy will be appropriate in all cities and not even in all parts of the same city.

Ultimately, however, even city-wide strategies will prove ineffective if we continue to undermine in-city housing markets with endless suburban growth into vacant land. Such growth is certainly necessary and vital in expanding metropolitan areas like Houston and Phoenix. There we just cope with rising population and rising numbers of households. But the same growth is causing the undermining of other large cities to an unnecessary degree. It also leads to the destruction of housing that would otherwise be in good condition and could provide decent dwelling units in declining metropolitan areas like St. Louis and Cleveland.

Policies designed to attract businesses and households into central cities or to keep businesses and households there, such as those advocated by the administration's national urban policies, are bound to fail if they are continuously undermined by massive suburban growth in surrounding areas. On the other hand, developing means of slowing down or better controlling suburban growth appears to threaten certain institutions that many Americans hold almost sacred. Examples are local control of zoning laws and private fragmentalized ownership of land and development rights.

At this point, I will conclude in the typical academic fashion by saying that I am not going to suggest a specific means of coping with this dilemma. I want to keep you in suspense, since I am doing a 2-year study of this subject, and, of course, I will come up with the answers at the end of that time. But I hope to——

Mr. Scheuer. New York City may not be there in 2 years.

Dr. Downs. I will make a very large wager with you on that, sir, if you would like. New York City will definitely be there in 2 years. I hope that I was able to increase your awareness of the relationship between suburban growth on the one hand and inner-city decay on the other, as that relationship operates through housing markets. I think it poses a very serious dilemma which Professor Leven, among others, has written a book about. I do not see any easy way out of the dilemma, because it calls for difficult choices which politicians are loath to make and so far have totally avoided.

Mr. Akaka. Thank you very much, Dr. Downs. I must compliment all of you. You did very well on your time collectively. I want to thank you very much for your statements. I want to remind you again that your prepared testimony will be included in the record. Let me at this point defer to Mr. Scheuer. Do you have any questions of any of the panelists?

Mr. Scheuer. Your testimony was extremely interesting.

Let me ask you a question that is not really all that hypothetical since the House at 3:30 this afternoon is going to be discussing the issue of Federal aid to New York City. If each of you were making policy, what kind of policies and programs would you recommend for New York City at this time: (A) if you were mayor of New York and (B) if you were the President and could work your will with the Congress. [Laughter.]

Why don't we go from right to left, starting with Dr. Leven.

Dr. Leven. All right. I think that my immediate response to that is—and I do not mean to throw it back—that the real dilemma is the attempt to form policies with regard to specific instances of urban or metropolitan imbalance, or change, or maturity, or growth in the absence of any strategy with respect to what the outcome ought to be. It is not that we cannot think of a policy——

Mr. Scheuer. All right, tell us what the outcome ought to be.

Dr. Leven. I think that maybe that was stated as well by Dr. Birch as by anybody, and that is that the strategy should be: What kind of assistance is needed to help New York grow old more gracefully; not what kind of assistance is needed to make historical development reverse itself.

How can we help New York City grow old more gracefully? As Dr. Bahl suggested, slowing it down would help. New York is, indeed, going to be there 2 years from now and it is going to be there 22 years from now and probably 200 years from now, but it is going to slow down for the next two decades.

Mr. Scheuer. Well, if the outflow of middle class and upper middle class families and the inflow of poor families continues——

Dr. Leven. In most cities that has reversed already. That is the last war. It is over.

Mr. Scheuer. Is it over for New York?

Dr. Leven. I do not know if it is over for New York. In general, it is, but probably not in New York. In most of the larger cities what you find is that the buzz word is "dislocation" effects.

You know, in my lifetime I never thought, going north on 12th Street—which I think is a barometer street in the District of Columbia, that property there would have any significant market value. I was wrong. So was Dr. Downs; he was wrong, and so was most everyone else.

Dr. **Downs**. You are still wrong if you think the outflow of middle-class population has stopped.

Dr. **Leven**. Oh, I do not think it has stopped in gross terms, but I think net outflow has surely slowed down very much. We find areas, even in cities like St. Louis, and Cleveland, with substantial new family formations; the people are not suburbanites who moved out and who are returning to the city.

Dr. **Downs**. Then why has net outmigration in central cities tripled or more than tripled in the 1970's as compared to the 1960's?

Dr. **Leven**. Oh, because lots of lower middle-class people are moving out. In particular, blacks are moving out in very large numbers.

Dr. **Downs**. The 1,400,000 net outflow annually is not mainly or even substantially blacks.

Dr. **Leven**. All right, I do not want to say that it is over, but it surely has abated. If you look at the——

Dr. **Downs**. It has not only not abated; it has accelerated.

Dr. **Leven**. Well I do not know. Neither you nor I know——

Dr. **Downs**. Well at least I cited some numbers. You cite some contrary numbers.

Dr. **Leven**. The contrary numbers I am citing is what has happened to the rise in property values. It is——

Dr. **Downs**. The rise in property values is in certain neighborhoods. As I tried to point out, some neighborhoods are rising in value, but others are declining at the same time. Take your own city, St. Louis, which is rapidly losing people. If 1970–1975 population trends continue, St. Louis will be totally uninhabited by about the year 2002. That is a rather accelerated rate of decline compared to any previous period. I do not think St. Louis will become totally uninhabited, but there is a much greater loss of population now than there was formerly.

Although you can cite some neighborhoods in St. Louis where property values are rising (as you can in Baltimore, Washington, et cetera), you can also cite other neighborhoods where there is a collapse of property values, population is falling, and most property is worthless.

Dr. **Leven**. It is harder to find those neighborhoods. It is a lot harder to find those neighborhoods. I spent a lot of time looking for them.

Part of the mystery—and we are going to recalibrate that dynamic in the book that you referred to.

Mr. **Scheuer**. What does that mean? Small and impressionable minds—young and impressionable minds may be reading this record. [Laughter.]

When you say, "We are going to recalibrate"——

Dr. **Downs**. I think "small" is probably better than "young." [Laughter.]

Dr. **Leven**. From 1967 to 1972 we tried to track on a microlevel what was happening in 16 scattered neighborhoods of St. Louis—city and suburbs. What we saw was the unfolding of the kind of process of neighborhood change that Dr. Downs outlined in his testimony; the way the neighborhoods moved through a hierarchy. And what we saw was very strongly impelled by social class differentials among the neighborhoods. The conclusion from that was that the social class differential was impelling people to——

Mr. SCHEUER. Let me restate my question.

Dr. LEVEN. Well we are getting away——

Dr. DOWNS. Congressman, may I say, first of all, your question is totally illegitimate, since you asked us here to testify on a completely different subject. But, OK, we will nevertheless proceed to——

Mr. SCHEUER. My question involves the results of these massive population shifts which have had a very destabilizing effect on New York City. You have given the example of outmigration population and the example of job loss. Both of those factors have consequences for New York. Do we adjust ourselves to the fact that we have lost a million jobs? Do we plan for a smaller city——

Dr. LEVEN. Yes.

Mr. SCHEUER [continuing]. Or do we build another 100,000 public housing units to——

Dr. DOWNS. May I just make a couple of observations?

Mr. SCHEUER. Yes.

Dr. DOWNS. First of all, New York has adopted policies which are peculiarly perverse. Although I agree that welfare does not attract low-income households into cities, it does hold them there once they get there. New York has a very large inflow of illegal immigrants, especially from Puerto Rico and from South America, who might not be as likely to stay in New York if it were not for the high welfare benefits that the city—as part of the State—offers, as well as free college education, public housing, and all kinds of things.

So the policies that New York City has adopted are essentially designed to drive out the wealthy and keep the poor, and they are in fact working. Those are exactly the policies you have got, and you have deliberately adopted them, so don't be surprised that they are working.

I believe the only way to end those policies is to end democratic government within the city of New York, because the mayor and other elected local officials will obviously follow the desires of the majority of people, and the majority of people in New York are beneficiaries of those policies.

Take one policy, rent control. About 77 percent of the population of New York consists of tenants, most of whom are not poor. They are benefiting from rent control at the expense of rental property owners, but not because they need the money. True, many people who are poor do need the money, and, for them, an end of rent control policy would be a real difficulty. But, no mayor of New York can ever even mention the possibility of ending rent control, because politically it would be suicide. Yet rent control is helping to ruin much of the housing supply in New York City.

So I would answer that the fundamental requirement for reforming New York by putting it in fiscal equilbrium is stopping local democratic government. That means not allowing the mayor or the city council to make decisions that are influenced by their concern for reelection, since those decisions would perpetuate the imbalance of policies which are favoring the retention of the poor and the driving out of the wealthy.

I think that in fact what M.A.C. (Municipal Assistance Corporation) and a lot of recent actions really attempt to do is to take the government away from locally elected officials because they are responding to a constituency which wants to perpetuate its own benefits, even though doing so is economically not feasible.

Obviously, in this case the interests of the President of the United States are very divergent from those of the mayor of New York. I think New York deserves to be aided to some degree. It does have a lot of problems that are not caused by its own actions, but it has aggravated those problems. I think that some kind of a program further cutting back some of the very benefits that are being provided—cutting back municipal employment and other things—has to be instituted as part of any delivery of Federal aid. Some of that has already been done, but not nearly enough.

Mr. **Scheuer**. This morning's lead editorial in the New York Times lists a great number of things that have been done; but I agree with you that there is a good deal more to be done.

If you were Secretary of HUD or mayor of New York City, what would you do in terms of planning that vast south Bronx redevelopment area? What kind of redevelopment would fit into the needs of the city with its declining middle-income population, its declining job base, and its declining fiscal base? What would you plan for that area that would——

Dr. **Leven**. How about open space?

Dr. **Downs**. Well, again you are asking an illegitimate question, because you did not ask us to think about it in advance. If I were still in the consulting business, I would say, "I will be glad to answer that after I do a study at my usual hourly rates." I, for one, am not familiar in detail with that area.

My overall feeling, without detailed knowledge, is that probably the best thing to do in the short run is to get out of the area. Help all the remaining people move out; clear it; and do not try to make any big investment in it until it is relatively cleared of what is now there. The presence of abandoned buildings and of a very low-income population is probably inimical to any ability to attract any really self-sustaining group until that whole area is essentially cleared.

Roger Starr once said the same thing, and he was fired the next day because he was telling the truth. In some neighborhoods, it is best to get out and help people move away in the short run, and then eventually redevelop them. That is a very unpopular thing to say politically. During the transition period, you certainly have to provide a lot of assistance to those people who are there whom you are trying to move out. But to try and redevelop the area as it is now, it seems to me, is just a waste of money.

Mr. **Scheuer**. In other words, you are saying to perceive it as a land bank for awhile?

Dr. **Downs**. That is right. Again, I am saying this not on the basis of having studied it in detail. It is a generic reaction rather than something based on great knowlege of that area.

Dr. **Bahl**. Can I just take a minute and answer both of your questions?

Mr. **Scheuer**. Please do. I would enjoy hearing your remarks.

Dr. **Bahl**. I think I agree with Dr. Downs on the need to reduce the control of the locals over the New York City budget—if you took the point of view of the President. I think that——

Mr. **Scheuer**. Well, even if you take the point of view of the average citizen who cares about the city, you would say that the mayor of New York at the present time, Ed Koch, is doing a great many things that are not politically easy. But, as an abstract theoretical matter, you are saying that the mayor of New York cannot, being in the center of this vortex of political forces, make the decisions to cut down on programs for the poor and simultaneously build up the quality of life for middle and upper middle income people simply because the votes of the poor added to the votes of the civil service bureaucracy are just too many votes to cope with.

Dr. **Downs**. Yes.

Mr. **Scheuer**. One of the major problems is the civil service bureaucracy. Koch is going through agony with this 11th hour "perils of Pauline" scenario that we have right now, finishing the negotiations this morning in time to testify before the Senate Banking Committee this afternoon.

The problems of cutting down civil service employment and civil service benefits to approximately 300,000 people and their families, plus the problems of cutting down on programs for the poor, along with the problems of improving life—from the point of view of taxes and safety and general attractiveness—for middle-income people, amount to a formidable political burden for any mayor. That is pretty much what you are saying.

I think Mayor Koch is taking herculean steps to do that. I think the people actually voted him in to do that—to make some very tough decisions. And I think they will understand it if he makes some decisions that hurt them a little bit, just as long as the total economic and social fabric of the city is strengthened. I think that is the message that they sent to us last year in the mayoralty election.

Dr. **Bahl**. I think that is right. I think the President or the administration, though, might raise a few questions. They might just say, "Look, most of the projections that we got for New York City, in terms of what its fiscal outlook was going to be, were actually projections of how they thought the city was going to grow and very little on what they thought the city could be." Where is the projection of the size of New York's public sector, if it were a city of 7 million with a particular kind of employment and unemployment configuration? I think that could at least be done.

Mr. **Scheuer**. Is that the kind of long-term planning and analysis, for example, that HUD should be doing before designing a program for the south Bronx?

Dr. **Bahl**. Someone should be doing that. I do not know where the responsibility lies in the Federal Government. I see that the New York City office is in Treasury, and I do not think you can separate the fiscal from the urban development part.

But there are some other parts of it—Federal welfare—New York City should have no responsibility for welfare for major redistribution services. That ought to be off their back. If I were an administration spokesman, that would be high on the list.

Another is that there is absolutely no reason why there should not be some kind of regional taxation in that metropolitan area. Why is it that suburban New York residents do not have to share in the fiscal burdens of the city? Certainly they reap benefits from living next to the city. So that would be another thing that you would absolutely——

Dr. **Downs**. They do. They pay an income tax if they work in the city.

Dr. **Bahl**. Yes, but they pay it at a differentially lower rate, Tony, at about ¼ of the rate that a city resident pays on the commuter tax, and it is peanuts anyway. That is my understanding, anyway.

I think there has to be accountability on the part of the State. If the State is to take responsibility for agreeing or coming up with a plan that says, "This is what New York City looks like a decade from now—you know, not tomorrow, but for the next 10 years on a year-by-year basis"; then somebody has to be accountable when the city does or does not live up to the plan. That would be either the mayor or the Governor. I think I would look for that kind of accountability.

On the south Bronx question, maybe the future of the cities is in services, and maybe once this emptying out slows a bit more, even places like New York will begin to see a movement in of the service sector. Maybe there will be new markets in the cities, and maybe a different structure will emerge.

But there are those who still believe that the future is in manufacturing. I tend to think not. Have you been looking at the Port Authority proposals for industrial park development in the city—I think two in Brooklyn and one in New Jersey—centered around resource recovery plants? They actually have done a feasibility study—or had it done—and in a very professional way have made the case that they could build suburban type locations in the city in some nonused areas, build them around a resource recovery plant, produce relatively cheap energy, and, therefore, make it an attractive place to locate. It is an interesting idea. I do not know how applicable it is to other places or how well it would work there.

Mr. **Scheuer**. I suppose that a south Bronx land bank might one day be used for some kind of a light industrial park——

Dr. **Leven**. One day, yes.

Mr. **Scheuer**. Or for research, study, university R and D. Are there any other responses to this double-pronged question of mine?

Dr. **Birch**. Well, do you limit it strictly to New York or could we open up the agenda to look at all the rest of——

Mr. **Scheuer**. Surely.

Dr. **Birch** [continuing]. The cities? You see, I think New York is very special case——

Mr. **Scheuer**. It is.

Dr. **Birch** [continuing]. In many regards and is not very typical of others. In taking the President's point of view, I think the main thing is to figure out how to slow down the rate of decline of the cities so that people do have a chance to adapt to it. Not that this will halt decline at all, but it will slow it down somewhat.

I keep coming back to my entrepreneurs and things that they need. I would start to look very carefully at things that would make it easier for entrepreneurs to do business in the city. Working capital is one thing that keeps coming up over and over again. None of the present proposals have anything for working capital in them and, yet, in the service sector that is about the only kind of capital that is used. Everything is still focusing on manufacturing and plants and facilities and lathes and capital equipment and, yet, if you look at the economy and particularly at the growing sector of the economy in a place like Boston, Pittsburgh, or Philadelphia, those sectors no longer use lathes and things like lathes. They use typewriters and rent office space and think and, given that they are——

Dr. Downs. And medical centers.

Dr. Birch. Or medical centers—they mostly use the same things and a few scalpels, but these service industries are not capital-intensive for the most part.

Mr. Scheuer. A few scalpels and a CAT scan or two.

Dr. Birch. And a CAT scan is thrown in here and there, yes. But for the most part, I think, if you look at the bulk of those jobs, they are not addressed by a program of capital investment nor is the amount of capital investment proposed by the plan enough to begin to cope with the number of job losses involved. So I think that something oriented more toward the service sector and the entrepreneurs that are in the service sector would go a lot farther than trying to rebuild a manufacturing base through capital equipment expenditures; that would be true nationally, I think.

Dr. Leven. Just one comment on that and, that is, I find myself very sympathetic with what Dave has to say and I wish it would work. I think that slowing down is terribly important, and his suggestion is perfectly reasonable and good strategy for slowing down. Relocation of Federal office facilities, for example, as proposed in the President's message, is a quite reasonable thing to do as an intermediate run strategy, and anything you can do to slow decline would help.

Just one caution, though, and that is that your articulation still was in terms of the city recovering what it was in some sense, through the recapturing of a new function, namely services. I think that would be devoutly desired by a number of people, including me, but I think that it would be dangerous to be too sanguine at that level.

For example, Norman MacRae, of the London Economist, has talked a great deal about his predictions of what is going to happen when the service industry starts leaving London in the way that the manufacturing industry left in an earlier decade. It is just going to be more—and a much more severe example—of the same thing. I do not know that that is right, but I think that it really is quite important that we think in very concrete terms about the kinds of things that are actually going to be in the big metropolis two or three decades from now.

It is not going to be the answering service. That can be in Denver or—that can be in any small town anywhere. We really have to think in very concrete terms about the kinds of things either that will exist at a large scale—that are necessary to assemble a labor force—or the kinds of facilties that consumers have to be near. Medical centers are an example of those. For the foreseeable future, the city will be centered around the production of those services which are produced at large scale and require personal presence for consumption, such as large medical facilities, universities, zoos, and symphonies.

Dr. **Birch**. I still have not quite adjusted to the fact that the Lahey Clinic, which is one of the more well-known facilities in the Boston area, has moved out to the Burlington Shopping Plaza from the center city of Boston.

Mr. **Scheuer**. Look at the Menninger Clinic.

Dr. **Birch**. Or other clinics if that——

Mr. **Scheuer**. It is simply not true that a major tertiary hospital has to be near where people are. I spent a year at the Warm Springs Foundation in Warm Springs, Ga. That is about as far out in the pine forests as you can get.

Dr. **Leven**. But they have a better chance for survival in the large metropolis.

Mr. **Scheuer**. People will go where first-class medical facilities are. I would not want to bet the future of a large-scale city on the supposition that people have to be there because that is where the health facilities are. Health facilities can be anywhere.

Dr. **Bahl**. In terms of Federal policy, though, it does not look like the current tenor is toward slowing down the out-movement, so policy ought to be oriented toward compensation.

There are two things I think of. If we really wanted to slow out-migration, we have the Federal deductibility of mortgage interest and the property tax. If we really wanted to slow out-movement from central cities, we do know how it could be done; but, of course, politically it is not feasible.

Mr. **Scheuer**. How could it be done?

Dr. **Bahl**. By reducing or differentiating that kind of allowance.

Dr. **Downs**. But that goes to home ownership and not——

Dr. **Bahl**. That is right.

Dr. **Downs** [continuing]. To new construction necessarily.

Dr. **Bahl**. That is right, but, you know, people are moving out of the cities not just for——

Dr. **Downs**. I do not think that would slow it down very significantly at all.

Dr. **Bahl**. It is debatable.

Mr. **Scheuer**. What are you discussing specifically? Are you suggesting that we provide some kind of extra tax incentives to owners of homes?

Dr. **Bahl**. That is what we do now—right? We do provide an incentive for people to buy their home as opposed to renting it.

Dr. **Downs**. What Roy is saying is that if you took off the deductibility of mortgage interest and property taxes, you would reduce the incentive for home ownership and thereby reduce incentives for new construction in the suburbs and thereby slow down the rate of exodus from the central city.

Mr. Scheuer. Is that what you were suggesting?

Dr. Bahl. Yes. The other point I would have made is if I had been a mayor or a spokesman for urban areas, I would have been screaming about the investment tax credit that was part of the tax reform package, because that creates an incentive for manufacturers to invest in new plants. Now, to the extent manufacturers have the incentive to invest in new plants, that means a movement out of cities toward suburbs and likely, if there is any regional movement, out of the decling region. So, if anything, the investment tax credit provided an incentive to move out of cities; and, making it differentially——

Mr. Scheuer. Rather than to renew and improve existing plants?

Dr. Bahl. That was part of it. To the extent that manufacturing plant investment decisions are going to be made, apparently it is more likely to invest in a new plant and, more likely, in a new location. So, even including rehabilitation——

Mr. Scheuer. And a new plant outside of the central city.

Dr. Bahl. Right.

Mr. Scheuer. Where they can buy land cheaper and build horizontally and so on.

Dr. Bahl. Right.

Mr. Scheuer. Is that what you are saying?

Dr. Bahl. That is right.

Dr. Downs. Well they did try to put a 5 percent additional tax credit if you expand in the city as a recognition of that, although it has not passed yet. But, really, it seems to me that in the long run the future of most central cities lies in declining in density until they are more like the rest of the country. Then they will have the same functions as every place else will.

Mr. Scheuer. The same what?

Dr. Downs. The same functions as every place else. Each city's node—downtown—will be a slightly larger competitive node than other ones out in the suburbs, as is now becoming the case. I think most downtowns will remain larger than large outlying regional shopping centers, but ultimately what we are moving towards is a lower density in these cities. Until they adjust to a somewhat lower density than they have now—and, perhaps in the case of New York, a very much lower density, there is probably still going to be pressure to decline in size.

I do not mean that their density has to be identical with that of single-family, 2-acre zoning areas; that is never going to happen. But they need to fall in density until they are more commensurate with the desires of most people to live in a lower density environment than they are now experiencing in these cities, especially with the tremendous increase in automotive vehicles that we now have. You cannot even park the vehicles most households now own if you live in the center city. About 50 percent of all households in the country now own two or more vehicles, and they could not even park them if they lived, for example, in New York City.

Dr. Birch. Another way to look at the same thing is to observe the newer cities that have been built from scratch in the recent past—and I think Houston is probably the most classic example, although there is Charlotte, N.C., and there are many others. They are building up in a pattern which is very much designed for a situation where there is a fairly substantial central office complex which houses virtually no one during the evening, but that serves certain collective functions like consulting, advertising, law, and that sort of thing—and in Houston the petroleum industry. The rest of the city is spread out in very disconnected and far-spread nodes; that seems to be the optimal configuration.

One would argue that cities like New York, Boston, and Cleveland will have to adjust to look much more like Houston than they presently do, which will involve halving or moving to something like a third, of their present population before they reach anything that resembles equilibrium.

Dr. **Leven**. It is not that cities are falling apart. It is that cities are moving to the country. There is very rapid business growth in Missouri cities that are 75 to 100 miles from St. Louis. It is very rapidly growing in small towns and not just in Missouri—Ohio—in almost every part of the country.

Dr. **Birch**. So they are looking more and more like Houston.

Dr. **Leven**. They are looking more and more like Houston.

Dr. **Birch**. As is Boston.

Dr. **Leven**. As is Boston. Boston is not being destroyed. It is just moving to New Hampshire. [Laughter.]

Dr. **Birch**. That is right, at a rapid rate.

Dr. **Leven**. At a rapid rate.

Dr. **Birch**. Said better, people who would normally have gone to Boston are now going to New Hampshire.

Dr. **Leven**. And the reform of Massachusetts tax law will not keep firms from leaving Boston and going to New Hampshire. Firms that leave Boston might have a chance of going to Pittsfield instead of New Hampshire.

Dr. **Birch**. Or the Cape.

Dr. **Leven**. Or the Cape, but tax reform will not hold them in Boston.

Mr. **Akaka**. We are hoping that after more of these hearings we might have some direction as to future legislation. Migration has come to be viewed as a very powerful, a very influential, and highly unpredictable force in declining and even in growing areas in our country. My question is: Should the Federal Government attempt to direct population movements within the United States, or should it accept population movements as a given and attempt only to respond to the consequences of these movements? That question is for the panel.

Dr. **Leven**. Well, given the choice of one of those two, I predict that everyone on this panel would say the answer is that the Federal Government should not attempt to control or direct population movements, but that it should be interested in tempering them, compensating where they cause particular hardships, and, at the margin, redirecting where there are peculiar problems, but basically not interfering that much.

Mr. **Akaka**. Would you say that would be true even in areas where the population is growing rapidly—very rapidly—like in California?

Dr. **Leven**. Well, the one exception that is raised is what are the legal/moral/political issues of the limitation of growth itself—

whether or not the Federal Government should interfere in the Petaluma sort of issue.

Dr. **Downs**. Well where is there overpopulation besides in Hawaii perhaps?

Mr. **Akaka**. Well, parts of California feel that they are being overpopulated. Looking toward the future, there might be some other specific areas that might have this problem. As you mentioned, in Hawaii this is coming about because of some of the immigration policies of our Government. We feel there that, since the weather, the climate, and the environment are conducive to good living, people tend to want to go there. Of course, as you mentioned too, our welfare system is very good, so people tend to——

Dr. **Downs**. If you are going to be unemployed, you might as well be unemployed in Hawaii. [Laughter.]

Mr. **Akaka**. You do better being unemployed and on the welfare system than working. We look to the Federal Government for aid in this case.

Dr. **Downs**. What kind of aid could you expect from the Federal Government except for it to pay your welfare expenses?

Mr. **Akaka**. That is right. To help to pay for——

Dr. **Downs**. But that will not stop people from flowing into Hawaii. That just takes the money cost of their being there off of the State, but they are still there.

Mr. **Akaka**. That is right. Dr. Bahl?

Dr. **Bahl**. I would probably ask you to change the question a little bit. The Federal Government does direct the redistribution of population in lots and lots of ways with lots of different kinds of subsidies. I guess the one that we talk about most now is Senator Moynihan's thesis about reallocation of Federal flows of funds.

The question is not whether or not the Federal Government ought to institute policies to redirect population movement. I think the question is whether the Federal Government ought to take steps to undo what it already does.

Then, if you ask it that way, I think my answer would be like Dr. Leven's—no, but that it ought to worry about a system of compensation to account for the distributional effects that occur.

Dr. **DaVanzo**. Just as the Agency for International Development is now concerned that the population impact of all development programs be assessed, perhaps what is needed here is an assessment of the potential inadvertent effects on geographic redistribution of policies which are not intended at all to affect migration decisions but which do so by making some areas relatively more attractive than others.

On the first question, I think I already answered it in my testimony. There does appear to be a small subset of people who do not base their migration decisions on the best information and are limiting their range of choice. It may be that there is room to help these people through relocation assistance—financial assistance or improved information—so that they can make more effective decisions and end up in a place where they will succeed and be less of a burden on the economy that they join.

Mr. **Akaka**. Dr. DaVanzo, you mentioned something about experimental relocation assistance in your testimony.

Can you explain that further?

Dr. DaVanzo. I am not intimately familiar with how these programs were run. All I know is that on balance they seemed to be effective in helping people who were willing to relocate. I think that is an important point, because many people are not willing to move. There are many things that are tying them to their current area, and it may take very powerful incentives to induce them to move away from where they are now.

But there are a number of studies, which I read so long ago that I am no longer familiar with the details, that do document and evaluate these experimental relocation assistance programs. Are any of you familiar with the evidence there?

[No response from the panel.]

Mr. Akaka. I have another question from Dr. DaVanzo. This has to do with the census and government surveys. How can the Federal Government improve its information on population movements and on the causes of these movements? Do you have specific recommendations for the inclusion of certain questions?

Dr. DaVanzo. Yes. I think one problem is that the main way of getting this information is through the decennial census. Typically the information on who moves is based on a question asking where you lived 5 years ago. Many of the people about whom I was speaking earlier, who may need assistance, move 1 year, are unsuccessful, and then go back to the place they left and do not seem to go beyond these two places in thinking about alternative destinations. This type of "ping-pong" movement is often missed when you use a 5-year interval to measure migration; if the person moved from A to B to A and was in A in both 1965 and 1970, say, then he is recorded as a nonmigrant in these census data.

Another problem is that census data document quite carefully characteristics of people in the census year, so we know in some detail what their characteristics were after they moved. However, we often do not know much about their characteristics before they moved. This makes it difficult to infer their motivations. For example, we will know whether a migrant was unemployed in 1970, but we do not know whether he or she was unemployed in 1965, before he or she moved.

Many of the findings I was mentioning earlier are based on recent longitudinal surveys that interview people every year, so that you have information on them both before and after they move.

The current population survey is done every year, but it, like the census, lacks information on the characteristics of people before they move, and it is only through that information that you can really infer what their motivations for moving were. If you look at them after they move, you cannot separate the intrinsic characteristics of the people from the consequences of the move. They may be unemployed after the move, but not before. So what we need is some way of getting information on what their situation was before they moved.

Mr. Akaka. Then another question might be: How could information needed for making wise migration decisions and choices be collected and given to these individuals, particularly from foreign countries? Hawaii has the problem of Filipinos and Samoans moving in. After they get to Hawaii, they add to our problems.

Dr. **DaVanzo**. I think if you are talking about international migration, that is going to be much more difficult because these people have language problems and so forth. They, more than other people, have a very great incentive to settle in areas where there are other people like them. Also, their information about alternative areas will emanate from their friends and relatives who have preceded them.

So, unless you could set up other social services that would somehow ease their transition to a different culture, I think it is going to be quite difficult to induce them to locate in areas where there are no other people like them around. I think it would be easier for native Americans who do not have these kinds of cultural and language problems to assimilate more readily into a place where they do not have friends and relatives.

Mr. **Akaka**. Dr. Birch?

Mr. **Birch**. There are real problems with using the census as a source of information in matters related to both of your questions. It has been well documented, at this point that the census tends to undercount migration by a factor of two or three in many cases, simply because of the 5-year question and because people do not answer it honestly or cannot remember where they were 5 years ago so they say that they were where they are today even though they were not. Comparing against social security data, we find that sometimes two or three times more people are actually migrating than is reflected in the census data.

I have a somewhat radical proposal that no one will listen seriously to. I wish somebody would. There is no reason that we have to conduct the census every 10 years the way we do. The only reason we do——

Dr. **DaVanzo**. It is going to be taken every 5 years now.

Dr. **Birch**. Yes, but the only legal justification for that is to determine the congressional districts. In other words, the census was commissioned originally to figure out what the representation should be and, therefore, to define congressional districts, which, by the way, I think will be radically altered in 1981 or 1982 when the census comes out.

Most of the information that we get from the census is extracted from a 20-percent sample and not the 100-percent count. There is no reason in the world, other than for congressional redistricting, why we could not conduct five 20 percent samples every 2 years rather than conducting a 100-percent sample every 10 years. It would give us much more information on what is going on, and we could get 2-year rather than 5-year migration decisions. It would give us an enormous amount of information about where employment opportunities are, where unemployment is high, where unemployment is low, and what is happening to the state of various parts of the Union. Most of the information which is currently extracted, as I say, is from a 20-percent sample and not the 100-percent count conducted by the census.

Dr. **Downs**. You would be expanding it by 5 times.

Dr. **Birch**. Excuse me?

Dr. Downs. You would be expanding it by 5 times, because each time you would ask people all the things that you now only ask of 20 percent of them.

Dr. Birch. Well, but I would ask a rotating sample every 2 years and just conduct a continuing rotating census rather than conducting one every 10 years.

Dr. Downs. Nevertheless, if you took 20 percent of the population, you would still have almost 5 times as much information.

Dr. Birch. Yes, but I would save all the costs of conducting a 100-percent census which I would not conduct. In other words, I would argue that our sampling procedures are sophisticated enough at this point—which they were not when the census was originally commissioned—that we could find out everything we do now by only sampling one-fifth of the population at a given time. That would provide, I submit, enough information to do the congressional redistricting as well as providing all of the analytical kinds of things that you are interested in.

We could find out where unemployment is, where employment is, who is working in what industry, how those mixes are changing. We could extract all that information on a much more frequent basis and, of course, with much more validity than we can with the current population surveys because they are very, very thin samples.

That is a proposal I would like to set forth. I think that with it we would go a long way toward both understanding what is happening by measuring it more frequently, and getting information to disseminate to people, both yourselves and people interested in finding jobs, and, I think, at no additional cost.

Dr. DaVanzo. I might just underscore the point he is making. Something like 70 percent of the people who move in a given year have moved before in the recent past. A substantial fraction of this rapid movement is totally missed in the way migration questions are currently asked in the census. You have to go to very thin, specially drawn samples to be able even to study these types of phenomena and to realize, as I mentioned in my talk, that many people move one year, cannot find a job, and move again the next year, often back to where they recently left. It is not clear that anybody benefits from this ping-pong type of movement.

Mr. Akaka. Dr. Bahl?

Dr. Bahl. You probably already know this, but for those of us who are working on the fiscal problems of big cities and who are convinced that you have to link those problems to changes in economic base, this is very important. Do you know there are not data on changes in the economic base of cities? Do you know that we cannot find out how many people work in cities in the private sector?

County Business Patterns give us data through the Department of Commerce. It is a couple of years late, but it is good data—but on a county basis. So if we look only at the cities that are city-counties like New York and St. Louis—and there are about 10 other big ones in the country—we can make those comparisons; but if you want to know how many people work by sector in Syracuse or Akron or Cleveland, you have got a real problem. You simply cannot measure that.

It seems to me that something as important as that, since we are concerned with jurisdiction and not area units, ought to be provided.

Mr. **Akaka**. Would you then agree with Dr. Birch regarding his proposal to do a 20-percent sampling every 2 years?

Dr. **Bahl**. I think it would be a different thing in terms of establishment data, because I am interested less in residents and their employment status right now than I am in jobs in the city. But I would say incidentally that in trying to work these effects out on employment trends in cities, as you know, what we must do—like other people—is rely on data that David Birch has created through the Dun and Bradstreet file; and that is about the only way that you can get establishment data in jurisdictional city areas.

Mr. **Akaka**. Here is another question for the panel: It has been suggested by some urban analysts that the problems created by population movements from central cities into surrounding areas could be better solved through improved coordination of local governments. The questions are: What services are especially amenable to such coordination; how can tax bases be shared—I think you mentioned that in regard to the suburbs of New York City—and what form should greater metropolitan governments take?

Dr. **Bahl**. Everybody is looking at me. [Laughter.]

I guess I have said most of what I have to say about that. There are two kinds of reorganization. I would not say "coordination." There are two kinds of changes in the financing. One is up to a regional level and the other is up to a State level. I think that the redistributive services probably ought to go up to the State level or even higher.

As far as candidates for regional financing, I guess the ones that we see springing up in the form of special districts here and there—mass transportation in urban areas seems to be a candidate for regional financing and it seems to be a candidate for financing with nonproperty taxes—which I think is the other part of the question.

Mr. **Akaka**. Any other comments on that?

Dr. **Leven**. Well, one level seems inappropriate. It occurred to me as my colleagues talked. A modest suggestion might be made—and I might even get some agreement from the other panelists on this—that maybe we could think about dismembering the regional commissions in the United States, like Appalachia and Ozarks. Why do we need them? What does the New England Commission do? Could we live our lives without them?

Dr. **Downs**. It provides employment for high level bureaucrats. [Laughter.]

Dr. **Leven**. Any other advantages?

Mr. **Scheuer**. Doesn't the New England Commission identify common problems in the New England communities?

Dr. **Leven**. Why not a commission for everyone then?

Mr. **Scheuer**. Well, because there are unique problems in the Northeast area and in the Midwest corridor. You might expand the New England Commission to the Northeast and the Midwest corridor to cover all of the declining cities of the Northeast and the Midwest. Certainly there is a commonality of problems. There is the distribution of Federal funds, as Dr. Downs and Dr. Bahl have pointed out. There are common symptoms and common diseases and common——

Dr. **Downs.** If you really studied what the New England Regional Commission has done—and I have not done that, but I had some contact with them once—I think you would be hard pressed to find anything that they have done other than to say, "how about that" in relation to all of those problems.

Mr. **Scheuer.** But if they analyze the problems for the whole New England complex of communities and come up with intelligent and viable answers for the city, county, State, and Federal policymakers in an orderly, systematic way, I think that function is worthwhile.

Dr. **Downs.** But have they done that?

Mr. **Scheuer.** Well, I cannot testify——

Dr. **Leven.** That is not the issue. It is a question of whether it is a Federal instrumentality which has to focus now and fund later to optimize something at that level. There exists something called the Great Plains Council which is an association of governments which find it in their interests to do some common planning. I certainly would not make that illegal or rule that out, but that there needs to be some special Federal initiative to force coordination of New England, the upper Great Lakes, Ozarks, and the Four Corners, but not the Pacific Northwest or the gulf coast or the——

Dr. **Downs.** But those are historical accidents. They were tradeoffs for the creation of the Appalachian Commission.

Dr. **Leven.** That is right.

Dr. **Downs.** And they were developed as a political bargain so that a very specific region—Appalachia—could get something through on the basis of "anything we get we will spread around the country to other people later."

Dr. **Bahl.** But whatever the regional commissions did or did not do, other kinds of coalitions have recently grown up that address the kinds of questions you are talking about. They are not these regional commissions. They are the coalition of representatives and then of governors in the Northeast and the Midwest and the Southern Regional Policies Board.

Dr. **Birch.** I have worked a little bit within the New England Regional Commission. I think they do serve to focus attention on certain very specific problems that are unique to their region. The fishing industry in the Northeast, for example, is a major industry that does not exist to a large degree in the midwestern part of the country; and the New England Regional Commission focuses in on the fishing industry——

Dr. **Leven.** Tell me why the Federal Government should support that focusing, as opposed to not doing the same for the Great Lakes region.

Dr. **Birch.** Well, maybe the Great Lakes region has another set of issues that are——

Dr. **Leven.** But why does the Federal Government not have a Great Lakes commission which it supports to help them solve their problems, which I am sure are just as unique.

Dr. **Birch.** I am not arguing that it should not.

Dr. **Downs**. I am outraged by your ignoring the great salmon fishing industry of Lake Michigan, Professor Birch. How could you overlook this very worthy cause? [Laughter.]

Dr. **Birch**. The Great Plains Regional Commission then. Tourism is another industry New England is becoming increasingly dependent on. I think the New England Regional Commission has focused on tourism, has focused on fishing, and has focused on certain things which no other body would really pull together in the same way that this commission has. I would not argue that other places do not need similar kinds of things.

Dr. **Leven**. My trial balloon did not fly.

Mr. **Akaka**. Let me ask this question specifically of Dr. Bahl, but any and all of you may respond. This is something that is very current. This has to do with the State of California. Today, as you know, in California voters are considering Proposition 13 to lower property taxes. Does such taxpayer revolt affect declining as well as growing areas? That is one question. Another is: What will be the likely results of this taxpayer revolt?

Dr. **Bahl**. That is a very good question. It affects middle income taxpayers. It affects property owners. Therefore, it affects suburban residents.

What it probably implies is a shift of financing off of the property tax onto nonproperty taxes, except in California, where part of Jarvis-Gann is also to limit growth in State sales and income taxes. so it is really not clear where that goes. The implication is, if this thing stands up in the courts and if it passes today, for a smaller sized State and local public sector effectively mandated.

Let me add one thing to that——

Dr. **Downs**. Isn't that doing what you were suggesting earlier?

Dr. **Bahl**. But not in the selective way that I was talking about. There is one other part of this I think is very interesting. I heard a statistic yesterday from the Advisory Commission on Intergovernmental Relations. Jarvis-Gann will result in an estimated $7 billion reduction in property taxes in California, but that will lead to a $2 billion windfall for the Federal Government through the offset. So, effectively, the net reduction for California taxpayers according to that estimate, is $5 billion; and then the other $2 billion is not a net reduction but simply a shift in their payment from the local to the Federal Government.

Dr. **Downs**. Wouldn't you take a cut in your property taxes of 50 percent if the Federal Government got 20 percent and you got 30 percent? [Laughter.]

Dr. **Bahl**. It depends on the price you would have to pay in terms of the reduction in services—but, yes. [Laughter.]

Dr. **Downs**. You have just explained it.

Dr. **DaVanzo**. One thing about Jarvis-Gann, as it is currently written, is that it will become in essence a moving tax. When you move, your house is reassessed; but if you do not move, the assessed value can only go up by 2 percent a year. So whereas you still may, after moving, pay less property tax than before Jarvis-Gann, because the tax is restricted to 1 percent of the assessed value, you will have a large jump in taxes when you move if the market value of the house to which you move is significantly greater or has grown at a greater rate than this 2 percent. So there may be some effects on residential mobility.

Mr. AKAKA. I was very interested in Dr. Leven's remarks about maturity of the cities. Would you give us a fuller explanation of what you mean by the "maturity" of a city? Just how long does it take to reach maturity? How do growing cities differ from mature cities?

Dr. DOWNS. May I interrupt you before you start, Charlie? I would like to ask you a similar question. Why is it the maturity of a city that counts rather than a contrast between the density at which older cities were built—which was before the automobile age—and the density at which cities are now being built? Isn't it really a question of density and obsolescence of structures rather than age?

Dr. LEVEN. Well, sure, it is not chronological age.

Dr. DOWNS. But that is what maturity implies. After all, density has nothing to do with maturity, logically speaking.

Dr. LEVEN. Well, the term "maturity", in the sense that I was using it, referred to the growing obsolescence of the large concentrated mass of population which exists in order to exploit economies of scale of great size.

Dr. DOWNS. But Houston has a very large mass of population, but it is at a low density and it is growing like mad.

Dr. LEVEN. It has net outmigration, Tony.

Dr. DOWNS. Houston?

Dr. LEVEN. Yes.

Dr. DOWNS. For the metropolitan area?

Dr. LEVEN. The central city.

Dr. DOWNS. Oh, the central city, but the metropolitan area is——.

Dr. LEVEN The Houson central city has net outmigration.

Dr. DOWNS. But the metropolitan area is at a low density and the city is at a low density and——

Dr. Leven. Houston, no doubt, is a lot less mature than St. Louis——

Dr. DOWNS. But does age really have anything to do with it?

Dr. LEVEN. No; it would not have to have anything to do with it, but indeed——

Dr. DOWNS. Then why use the word "maturity"?

Dr. LEVEN. I do not know. You could use "obsolescence of the compact urban form."

Dr. DOWNS. Well, why not use "density"?

Dr. LEVEN. Or use that. It is not just density, it is density and scale both. The need for density, as Tony has pointed out on many occasions, is certainly much less now than it was a half century ago. I am also suggesting that the need for large scale is also less, and that the basic driving force behind this is simply what has happened with the technology of producing goods versus the technology of moving people and things. There was a very good reason; it was called the steam engine. In the world of the steam engine and the railroad, with only fixed right-of-way transport, no electronic communication, and a relatively high weight of materials per worker, a big concentrated city was very advantageous.

Technology moves on. That big concentration is no longer as advantageous, so we are now in the process of adjusting. It is not just us. It is true of the whole Western World. The whole world built these very efficient economic agglomerations—very efficient for the technology of 1910. They were built up in North America and Europe, and they simply have substantially served their time.

I can cite a conversation I once had with two people who are not here, Ben Chinitz and Ed Hoover, in the course of doing a study of Pittsburgh. One day we were sitting in the office and it was Ben Chinitz who said, "You know, the interesting thing is not that Pittsburgh is losing a lot of people and activity"—this was in the early 1960's. "The fascinating thing about Pittsburgh is how the hell it ever got to be so big in the first place based on its narrow specialization." It was a fluke in that sense.

The historical fact behind the decline of Pittsburgh was foretold by the invention of the open hearth furnace to substitute for the Bessemer converter which meant that one did not need the coal that was available only in that area. That was invented, I think, around 1873. It was also the substitution of railroad for water traffic, and that substantially occurred by 1890—sometime in the decade of the 1880's.

However, investment in the expansion of the steel industry kept occurring until about 1905. The last mill was the Homestead mill in 1905. It took about 25 years for them to catch on that the continued intensification and concentration of the steel industry in Pittsburgh no longer made any sense in terms of the technological developments that had occurred. In historians' terms, it was pretty quick learning. It only took them about 20 years to catch on. Pittsburgh peaked before World War I started, then a very, very slow decline began to occur as they protected the investment that was there, and then the decline began to accelerate. It was arrested by some particular needs of World War II and then slid again very rapidly to catch up with the decline that was in the cards.

That is a very dramatic example of the historic process of maturity of the kind that I am talking about. London is undergoing it. The Rondsdaat cities in Holland are undergoing it. We just simply do not have the technological need for the great concentrations of humanity that we had.

There are many variations on that theme. Indeed, the cities which are newer and which were built at lower densities will withstand that much longer, but I do not think that after this century we are going to build many more Houstons. I would think of Los Angeles as the last of the urban dinosaurs and, indeed, probably the best one we ever built.

Mr. SCHEUER. Los Angeles?

Dr. LEVEN. Sure, for an earlier age.

Mr. SCHEUER. Do you know what Frank Lloyd Wright said about Los Angeles?

Dr. LEVEN. Oh, architecturally he would not like it.

Mr. SCHEUER. No; as a city. He said, "If you turned the world upside down, the only thing that would fall off would be Los Angeles." [Laughter.]

Dr. LEVEN. He did not like the train station in St. Louis either.

Mr. AKAKA. Would you consider Los Angeles to be mature?

Dr. Leven. Sure; I sure do. The signs of maturity are not as dramatic in the sense that it is going to spread out and dissipate. I do not think people will live in very low densities in their neighborhoods; I would expect people to be living in higher density neighborhoods that were much more dispersed. So the average density over a whole metro-regional system will indeed be much lower in terms of population per square mile, in what I see emerging as the St. Louis system or the Cleveland system. Population per acre in the built-up parts may be higher than what we now average per acre.

Dr. Downs. Los Angeles also may be the harbinger of the future in that it is avoiding housing abandonment by importing Mexicans illegally in very large numbers, thereby reconstituting the immigrant in-flow which caused us never to have any abandonment up until 1965. That is one answer to the depopulation problems of large cities. But it does not solve their low-income problems, since the population that they would then be taking on to fill up their empty spaces would be a very-low-income population.

Mr. Scheuer. It is my understanding that the city of Los Angeles is now suing the Immigration and Naturalization Service for $50 million for the cost to the city of providing health care to illegal immigrants. I do not think the city fathers look upon illegal immigration as an unmixed blessing. And the tragedy of it is——

Dr. Downs. Few residents of any kind are unmixed blessings, sir.

Mr. Scheuer. The tragedy of it is that we really do not know what effect they have, and policy makers at the Federal, state and local levels do not have the data base that they urgently need to make intelligent decisions on the ¾ million to 1½ million people that illegally come into this country every year. We do not know whether they are providing a very much needed infusion of youth and energy into our economy; whether they have positive impacts on our economy, because their withholding taxes are taken out, but they do not use very much in the way of social services because of their illegality; or whether they are keeping marginal businesses in business because they work at or below the minimum wage under very poor conditions. They do not organize; they do not make waves; they do not protest; and they do not strike. Some people allege that for these reasons illegal immigrants keep marginal businesses going and they do provide some jobs for Americans, because these companies would go out of business were it not for these illegal immigrants.

Other people say that the illegal immigrants are a desperate burden on our economy. They say that illegals fill up our hospitals, are on welfare and use food stamps, live in public housing, flood our juvenile justice system, and take jobs that native-born Americans urgently need.

We do not know whether we have 2 million or 12 million illegal immigrants in this country, and there are scholarly people who give you estimates at both ends of that spectrum. We do not know whether there are 500,000 or 750,000 or a couple of million that come in each year.

Dr. Downs. But it is un-American for us to know! Take Los Angeles County; they will provide welfare to people, but they will not take their address because it is considered an invasion of privacy to ask somebody where he lives. So, as I understand it, they will not allow you to tabulate where the people who are receiving their benefits live. In fact, they do not even know, because that is probing into their privacy to ask them such a rude question when they show up for their benefits as, "Where do you live?"

So, really, it is very difficult to cope with many problems when we are unwilling to enforce not only punitive laws, but even simple kinds of welfare and other regulations. It is hard to design a policy which requires the rigorous enforcement of a law when the American practice is not to enforce laws of practically any kind.

Mr. **Scheuer**. I agree.

Mr. **Akaka**. Dr. Birch, you talked about the establishment of shops in areas as a key for providing employment. Let me ask you two questions having to do with employment. How can the Federal Government alleviate the skills-jobs mismatch in many of our older cities which are losing population and have high unemployment rates? The other question is: what is your evaluation of the CETA (Comprehensive Employment and Training Act) program and other public works programs?

Dr. **Birch**. I do not know enough about the CETA program to responsibly answer the question.

On the question of the mismatch between skills and jobs, I think Dr. DaVanzo really started to get into that a fair amount when she mentioned transmitting information about what employment is available.

I do not think you are going to avoid mismatches by changing the job base. I think you are going to avoid mismatches by moving people and providing ways for them to achieve mobility in one form or another.

A startling number of people have jobs before they move. I think that some of the surveys we have seen suggest that something like 70 percent of all the people who move have a job before they even leave for their new location, which means there is a rather extraordinary telecommunications system at work through which people are finding out about jobs. This may be done through friends and relatives or various other networks that they have out there. There is still 30 percent that do not—that move without a job——

Dr. **DaVanzo**. And often without even any information about the place to which they are moving.

Dr. **Birch**. And without any information. It seems to me——

Dr. **DaVanzo**. Let alone a job.

Dr. **Birch**. Right, let alone a job, and those other 30 percent are not necessarily moving to places that will be able to employ them. Although certainly a large number of them do go to Houston, and Houston has something like a 3- or 4-percent unemployment rate.

Mr. **Akaka**. Are these people who have skills for those jobs when they move?

Dr. **Birch**. I wish I knew. I do not exactly know the honest answer to that, but in many of the service sector jobs the skill level is less important than it is in manufacturing. In other words——

Dr. **DaVanzo**. Not as specific.

Dr. **Birch**. Not as specific. In other words, if you were a lathe operator and you went to operate a stamp press, you would be in rough shape—or making a shoe last or something of that sort. Whereas in the service sector, in the retail trade, in service-sales work, clerical work, plumbing, carpentry—those skills are a pretty ubiquitous, generally homogeneous commodity that can be dispersed wherever you are.

I remember flying on an airplane with someone from Puerto Rico who was going home to Puerto Rico—he was in the air-conditioning repair business. He gave me a long chronicle of all the places that he had been in the air conditioner repair business; and it did not make any difference where he was. He had a certain skill level and that skill was useful anywhere it was hot. He could do it in Los Angeles; he could do it in Houston; he could do it in Atlanta; he could do it in Puerto Rico. He had a pickup truck, a bag of tools, and a certain level of skill that was equally useful anywhere. I think that, to a certain extent, is true for the majority of the jobs we now have.

It is more a question of finding out where those skills will be needed than in transforming the skills, I think.

Dr. **DaVanzo**. I think some of the types of jobs you mentioned, though, are the types where people build up a clientele in an area, say, a carpenter or even a plumber. It then becomes less easy for them to move, although, I suppose if they are not succeeding, then that is no longer a problem.

Mr. **Akaka**. Dr. Bahl?

Dr. **Bahl**. On the question about CETA, I think it is important that we do not evaluate CETA as a training program but rather as general purpose aid to State and local governments, because it really is not a training program.

Mr. **Akaka**. Mr. Chairman, do you have further questions?

Mr. **Scheuer**. Yes. Dr. Downs, in a March 15 Chicago Tribune interview, you predicted that Chicago is not likely to go downhill by the year 1990 and you pointed out that Chicago is not currently deteriorating. How do you account for the difference between Chicago, let us say, and New York City? What are the factors?

Dr. **Downs**. Well, I said that Chicago is losing population at a very rapid rate. I agree with Dave Birch that this is not necessarily a bad thing. The peak of population in Chicago, as in St. Louis and Cleveland, was in 1950 when we had a housing shortage and the city was way too crowded. The loss of population since then has, in part, been a great benefit to the city. I think the city is going to continue to lose population, but one should not confuse the loss of population necessarily with deterioration of the city.

There has been a lot of physical deterioration of many housing units in Chicago, but most of the deterioration has been counteracted by clearance, both through urban renewal and regular demolition of housing and through highway construction.

If you compare the present status of housing in Chicago and, to some extent, in New York with what was in existence 20 years ago, the housing units that are occupied now are, on the average, in much better condition than those that were occupied 20 years ago because much of the worst housing has been removed.

So when I said Chicago was not decaying or disappearing, I meant that physically and in terms of the standard and quality of life—with probably the single exception of the level of crime in the city—I think that things are better than they were 20 years ago.

I would also say very similar things about the city of New York with that same exception: Most things are probably better than they were 20 years ago. If you look not at the fiscal problems of the city government but at the conditions of life of the average person, with that exception of crime, I would say that those conditions are probably better than they were 20 years ago. Most of us do not talk about that aspect of it.

Now, as to the difference between Chicago and New York, that is a very complicated question. I think that Chicago has been more conservative in its governmental structure and has not provided nearly as many services.

Mr. **SCHEUER**. Also, the county has provided a great deal.

Dr. **DOWNS**. Yes. I was going to say that a lot of the fiscal comparisons between Chicago and New York are misleading because New York has a combined city and county government, and many things that the government of the city of Chicago does not provide are provided by other governmental bodies in the same area.

Mr. **SCHEUER**. Like health services provided in Chicago. As I understand it, they only have one municipal hospital, and all the rest of the health services are provided by the county.

Dr. **DOWNS**. Well, they do not have any municipal hospitals. The county is the one——

Mr. **SCHEUER**. The one hospital is——

Dr. **DOWNS**. Is run by the county, right.

Mr. **SCHEUER**. OK. So that is an enormous difference. Are you aware of the fact that in New York City we spend a total of about $7.5 billion on health every year from all sources to service about 7.325 million people? In other words, we spend just over $1,000 a year per man, woman, and child for health services alone.

Dr. **DOWNS**. Well, I imagine your health service suppliers are becoming fairly well off as a result of all that. Has it had any effect on the health of the city?

Mr. **SCHEUER**. I have no indication that medical services in New York City are worth $1,000 a year.

Dr. **DOWNS**. This is one of the things that I think is a hidden aspect of cutting back on services. There really is no relationship between the amount of service inputs provided by cities and the outputs of the service. There is no relationship between the size and cost of the police force and crime. Therefore, cutting back on the amount of police at this present time will not cause a rise in crime rates. In the next decade, as we cut back on police forces, crime rates are going to fall because of the demography of what is happening in the cities, no matter what we do about it.

Mr. **SCHEUER**. They will fall mostly because there are fewer people in their crime-prone years.

Dr. **DOWNS**. But police departments did not take the blame for rising crime rates when police forces were expanding while crime rates were going up even faster; so why should they take the credit when the crime rates fall? In fact, it seems to me that there is almost no relationship between outputs of public services and their inputs. Therefore, we could cut inputs with impunity without, in fact, influencing outputs.

Mr. **Scheuer**. Do you believe that?

Dr. **Downs**. I seriously think that in education, for example, there is no relationship between the total expenditure on teachers and the results of their teaching—none whatever.

Mr. **Scheuer**. Well, if you take a city where systematically a whole generation of children manages to work their way through 12 years of schooling at a cost of over $2,000 a year per pupil and end up without reading and writing and counting skills, you might make that case.

I still have a little bit of pride in the Elementary and Secondary Education Act that I helped write 10 or 12 years ago.

Do you believe that smaller class sizes enable teachers to relate to an individual pupil better than they can to a mass of kids? Do you believe that——

Dr. **Leven**. Teachers surely like smaller classes.

Dr. **Downs**. Within the range of smallness that——

Mr. **Scheuer**. I have not finished my litany.

Dr. **Downs**. Well let me take the first item of the litany before you overwhelm me. Certainly there is some smallness of class size, like eight teachers per student, which would obviously accomplish better teaching. But within the range of variation that you are talking about, which is somewhere between——

Mr. **Scheuer**. Well how about 20 pupils which is the private school norm, as compared to 33 or 34, which is the public school norm?

Dr. **Downs**. It is not very clear that there is any significant difference between those. Maybe there is in the psychology of the teacher. The teachers certainly prefer smaller classes and parents prefer them, but in terms of measurable results, I have seen no evidence that there is any difference between 20 and 30 students per teacher.

Mr. **Scheuer**. Well, I will say that I do not think that the reason why kids in New York City are finishing 12 years of schooling and are unable to read, write, and count is a result of our inadequate expenditures on their education.

Dr. **Downs**. No, I do not either.

Mr. **Scheuer**. As I say, we have averaged over $2,000 a year for the 12 years that they are in school. It seems to me that the basic essentials of literacy should have been produced by that kind of an expenditure and by the existence of 55,000 people with teaching licenses who are involved with these kids for 5 or 6 hours a day. I must say it is a numbing reality that we have to face: That with these kinds of educational expenditures we cannot produce simple reading, writing, and counting skills.

Dr. **Downs**. Well I think one of the things that Jarvis-Gann may show in California, if it actually does result in a large cut in public services, is that the main function of local government is employing people and not providing services. The same degree of service could perhaps be provided with half the people, but then we would have a lot of people unemployed. So the main function that local government has provided in the past 10 years has been expanding employment much faster than in the private sector, without much measurable increase in output.

Dr. **Bahl.** One of the great examples of that is what you brought up about the health industry in New York City.

Mr. **Scheuer.** Specifically, the Health and Hospitals Corporation.

Dr. **Bahl.** Yes. To reduce that kind of expenditure would probably have less of an undesirable effect on services than it would on employment.

Mr. **Scheuer.** I do not think there is any doubt about it. It is a given fact that the city has to close down 5,000 hospital beds, and it is a given fact that it is much more economical and simple to close down a whole hospital than to close down a ward here and a ward there. Yet, from the point of view of the political realities, the city will produce a master plan regarding which hospitals have to be closed down, and immediately there will be an explosion of outrage from the minority community that "you are taking our jobs." As a result the hospital workers union will go into a frenzy, and the elected representative—the city councilmen, the State assembly, the State senators, and let's face it, the Congressmen too, who are down here in Washington trying to justify Federal aid—will be protesting the closing of a hospital in their neighborhood because jobs are on the line.

There is no question about it: We do look highly upon jobs in New York City. At the present time a large percentage of, I will not say of the population, because I think a large percentage of the population resents this fact, but a large percentage of the affected power structure perceives the Health and Hospitals Corporation as a public service employment program of last resort, period, end of paragraph, end of memo. And they will fight any reduction in health manpower to the death.

Dr. **Downs.** All local government generally. Why restrict it to health?

Mr. **Scheuer.** Well, it is a perfect example.

Dr. **Bahl.** But it is a pretty good position. What is wrong with this? Why not argue that it does not make any sense to reduce the size of the Health and Hospitals Corporation because of the employment loss and then turn around and ask the question at the Federal level, "How can we spend money to create jobs in the city?"

Mr. **Scheuer.** Well, I have an answer for that. This is sort of a question of zero-based budgeting. Our present Health and Hospitals Corporation is not producing community outputs that are valuable. I would rather cut them and cut the manpower in the board of education by 50 percent and then take that manpower pool and figure out what kind of additional facilities and services we need in New York. Is it additional enriched preschool child care centers? Great, let's retain these people and shift them to these enriched community based child care centers. Is there a need for preventive health outputs and counseling people in the poor neighborhoods, especially——

Dr. **Downs.** I think some people would say that there is a need for lower taxes in the private sector so that the private sector could employ those people—if that is not too heretical a thought.

Dr. LEVEN. Would you insist that we have to think about how we reemploy them in New York City?

Mr. SCHEUER. On the public payroll?

Dr. LEVEN. Yes.

Mr. SCHEUER. No, of course not. I agree with what was said. The existence of our present city and State welfare structure, if it does not attract people to New York, certainly keeps them there. We ought to be encouraging centrifugal forces.

Look, we do not do anything to hold the retiree who has worked all his life in New York and at 65 is retiring. I am sure he would like to live near his grandchildren but he cannot, so he goes to Florida and tries to get up once or twice a year to visit. We do not say to that person, "We are going to give you benefits that you will be unable to match anywhere in the country," and he is a person who has been a lifelong contributor to the fabric of our society. But we do say to the poor, "Stay here. We know you cannot make it, that you are underskilled, undereducated, undermotivated, and——

Dr. DOWNS. "So we will pay you."

Mr. SCHEUER [continuing]. You have come to the most complicated and sophisticated urban center in the United States. It demands the most in urban skills, so you predictably cannot make it, and probably your kids will not be able to make it either, but stay here. In order to encourage you to stay here, we are going to give you welfare benefits that you cannot possibly match anywhere else in the country. Now, isn't that in effect what we are saying to these people?

Dr. DOWNS. What would happen if you passed an ordinance that anyone who was on welfare could not vote in a municipal election? Do you think that would have any impact on the situation?

Mr. SCHEUER. No. The result would be pandemonium, and I do not think a ruling like that would induce anyone affected by it to leave the city.

Dr. DOWNS. No, but it might change the politicians' position on what level of welfare they would support. When Dr. Bahl said before that the State government was likely to cut back on taxes for the wealthy and cut back on expenditures for the poor, I think that what he really was saying was that the State government was likely to do less redistribution of wealth than it does now. As you pointed out about local governments, both State and local governments are in competitive positions. The more they engage in redistribution of wealth, the more they are likely to attract the poor and drive out the wealthy compared to other places that do less redistribution.

The income and wealth redistributive functions of the government should be carried out at the Federal level. Then if you want to leave the country to escape taxes, OK, but otherwise you are going to get it no matter where you go. But States like New York and California and certain others have taken on redistributive functions that are in many cases harming them by driving out sources of wealth and attracting or keeping low income residents. That puts the politicians there in an ever more difficult position because they have to keep on supporting this. I do not think New York is ever going to cut back voluntarily its welfare benefits to the extent that it would stop repelling the wealthy and retaining the poor. Even if we have federalization of welfare, we would never get the benefit level nationwide up to where New York's is. So welfare reform is not going to cause the people who are now on welfare in New York to go to Mississippi, because they can go anywhere they want, since the benefit level will never get that high in Mississippi.

Dr. BAHL. Part of it is the difference between getting bigger and getting smaller. When places were growing, like when New York was growing, then we all thought that local governments really ought not to have redistributive responsibilities. It was OK for the States to have it because they had the income tax and the responsibility for social services. Everyone advocated shifting the social services up to the State or Federal Government. Now it is the other way. Now it goes down. We now find that not only is it not feasible for a local government to redistribute wealth but it may not be as feasible for State governments to perform this function either.

The other part of it is that if you take the point of view of what is happening in New York, maybe what the Governor is doing in New York is redistributive. Maybe he can buy more income redistribution by creating jobs through his own policy than he could have through direct spending in health, education, and welfare. So it could be another strategy. It could be something really different than anything we have ever seen before.

Mr. SCHEUER. The fact that revenue sharing is based on the size of the population compounds the matter. At a time when New York City is losing population, it is losing Federal benefits, the same benefits that it needs in an increased amount in order to mature gracefully. In addition to this we probably have a population of 1 to 1.5 million illegal aliens who are not counted at all.

Dr. LEVEN. That is a separate problem, but the first——

Mr. SCHEUER. I mean that they are not counted for the purposes of these revenue sharing programs.

Dr. LEVEN. Losing populations who are on welfare—you know, chronic welfare cases—I think, cannot be argued as being fiscally harmful to the city of New York.

Mr. SCHEUER. Losing them?

Dr. LEVEN. Losing them.

Mr. SCHEUER. No; the whole problem is that the whole structure of our welfare program in New York tends to——

Dr. DOWNS. Retain them.

Mr. SCHEUER [continuing]. Suck them in. There seems to be a centrifugal force that holds them here. At least there should be neutrality, and ideally there ought to be some kind of centripetal force that would induce them to go where their chances of making it are the best, where their level of skills would be most in demand, where their children would not be susceptible to the anonymity and alienation that the big city produces, and where, at least, their children would have a chance of making it.

Dr. LEVEN. But, Congressman, I think there is an awesome reality that we are not really quite confronting. There is a man named Warren Mazek, who is now the dean of social sciences at Florida State University, who wrote a doctoral dissertation about 12 or 13 years ago trying to deal with the jobs/skills mismatch problem.

What he ascertained, at that time, was that these people who exist in great excess supply in New York, Cleveland, and St. Louis—he said, "Can't we get them to move to an area where there is a real demand?" There is no place with real demand for them. There are just some areas where the excess supply is smaller. There are no areas where there is great demand for those people.

Mr. **Scheuer**. Well there are——

Dr. **Leven**. It is true that in Houston, if someone is willing to work at minimum wages—as someone lives in Houston claims—he can get a job in 2 hours. But if they are willing to do that, they could do the same thing in New York.

Mr. **Scheuer**. If they had skills.

Dr. **Leven**. No; they would just have to be willing to accept minimum wage jobs. They could get one pretty fast in New York.

Mr. **Scheuer**. The kind of jobs that illegal aliens take.

Dr. **Leven**. That is right; and those are indeed what they can readily get in Houston.

Dr. **Birch**. There is a simple thing that came to mind in this discussion of formulas, and so forth. I am involved in a raging debate now in Dayton, Ohio. When we formulated all of these policies and formulas and everything, all the notions were based on growth. When a city crosses a certain threshold, it should begin to qualify for some kinds of Federal programs. There was never any idea that any city would come up and go back down. So, now, all of a sudden, many cities are faced with the prospect of going back down through a threshold that was never intended as a down one. It was only intended as an up one. Large hunks of money are going to be lost in Dayton, Ohio, when the population falls below 200,000—through which it grew with great relish back in the 1920's and 1930's and 1940's.

We are doing some simulation work there, trying to estimate when the population will fall below 200,000. We think it is going to fall a little bit sooner than they think it is going to fall. I am not very popular in Dayton when I say that the population is going to go below 200,000.

I think there are a lot of formulas around in many cities—sort of like Dr. DaVanzo's point about the trends in existing legislation. If you examine all the formulas that specify the size for which a city can get funds, I think you would find that they are all upwardly biased and are discriminating against a decline in a very perverse way.

If you would just tell Dayton, Ohio, that it could qualify for its water and sewer grants with fewer than 200,000 people, you would relieve an enormous amount of tension and frustration in Dayton, Ohio.

Mr. **Scheuer**. As I mentioned before, the same thing is occurring in New York: At a time when we need the money the most, our population is falling. An additional factor is that we do not count a population of a million or a million and a half very needful people who are there illegally and who, for that reason, are not even cranked into the computer.

Dr. **Birch**. But there are many thresholds for the smaller cities that New York never even barely approaches nor will it approach in 5 decades; whereas smaller cities at the 200,000 or 300,000 level are going back down through these thresholds. I think that is a different kind of problem, one that I think ought to be looked at carefully because thresholds were not considered that way originally.

Mr. **Scheuer**. What would you think of a revenue-sharing program that had something for everybody in terms of programs for the cities—the kind of thing you were talking about—directed toward easing their decline? In other words, they would get their water and sewer grants whether their population is 190,000 or 210,000. New York City would get some kind of assistance based on the need to age gracefully.

Dr. **Downs**. What would it be based on?

Mr. **Scheuer**. Pardon?

Dr. **Downs**. What would you be basing the formula on?

Mr. **Scheuer**. Well, I am asking whether there is a rational basis for basing it on something other than population, because, when cities need the money the most, they are getting it the least.

Dr. **Downs**. Well, there are other formulas that have been used, like percentage of residents who are living in poverty, age of housing—there are all kinds of ingredients you can think of for a formula that does not depend on population.

Mr. **Scheuer**. I guess the number of residents in poverty——

Dr. **Downs**. The percentage of residents.

Mr. **Scheuer**. The percentage, yes.

Dr. **Leven**. The problem is not in finding a formula. I recall some months ago Dave Birch and I both were participating in a symposium at the University of Texas, and we heard the Governor of New York and the Governor of Illinois and the Governor of Oklahoma all talk about—all sharing a common aspiration. All they wanted was a fair formula. [Laughter.]

It was a funny thing. It turned out that if it was one that was fair, they would get more than average. So, finding the metric on which to base the formula is not the problem. The problem is that underneath there is a political conflict of interests that is real. There is nothing that is simultaneously best for New York and best for Missouri.

Dr. **Bahl**. There are possibilities on the formula. You know, I followed that big debate that went on over community development block grants. One group of people arguing for the older distressed cities in the Northeast would argue that what you want to do is not measure the level of income or even the level of poverty because, as you know, there are no cost-of-living adjustments, but you would like to measure the growth rates because, while the Northeast still looks wealthier, it is growing slower. So what they did is put in a lag factor showing population growth rate. Also, there was something on pre-1939 I think it was, housing units. So there were ways to build it into a formula to allocate the money relatively more to that region.

Dr. **Leven**. If that is what you want to do.

Dr. **Bahl**. Yes; if that were what you wanted to do. The other part of the question, though, had to do with "targeting" as opposed to "spreading." We have heard the administration people talk about a national urban policy that is really for everyone in the Nation and not just for cities in trouble, but for all cities big and small. But when you do that, you reduce the amount of money that can flow to the most distressed areas; and, since that pie is likely to be smaller anyway, it would seem to me that it would be an unwise thing to do. My argument would be to opt not for less, but for more targeting.

Dr. DOWNS. But you have to have a certain amount of spreading in order to get political support for the programs. It seems to me that the ideal program has some benefits for almost everyone but concentrates those benefits on a target basis. Otherwise, if you just do the targeting, you do not get the votes to get the program.

Dr. BAHL. But the problem with that is that a special benefit for everybody is not really a special benefit for anybody.

Dr. DOWNS. But if——

Dr. BAHL. Like revenue sharing. That is a good case. By the time they finished with the formula, they had two of them. Right? You could take your pick: One for urban, one for rural; one for rich, one for poor; one for growing, and one for not growing.

Dr. DOWNS. But the community development block grant formula, which does give something to almost every city, also is targeted.

Dr. BAHL. Yes, but the community development block grant formula really occurred because the Northeast got their act together quicker than the southerners. That will not happen again.

Dr. DOWNS. Well it certainly will not happen if they do not give the southerners any money.

Mr. SCHEUER. Dr. Birch?

Dr. BIRCH. Going back to something we started with much earlier, the notion of revenue sharing is still an allocation of funds to places rather than to people. I think I would advocate getting away from grants to places and much more into grants to people in need, and helping people adjust to the transformation.

In a sense, revenue sharing, particularly when based on some needs formula, is a regressive rather than a progressive step. It is just putting off the inevitable, particularly if you support the place that is having the problem. I would much rather see you put funds into income transfers to people to help them move than try to target places based on some formula, because you will never get the formula to work out.

I sat in Syracuse recently and heard the mayor of Rockville, Md., stand up in the back of the room, after listening for some time to Coleman Young of Detroit talking about all the problems of Detroit, and say, "Well, you may have a lot of problems in Detroit, Mr. Mayor, but we have incipient problems in Rockville, Md." [Laughter.]

And there are more mayors of Rockville, Md., than there are mayors of Detroit. It seems to me that by the time you get done with that process, you will probably have an enormous inequity built into the distribution of funds that you would have liked to have gotten to people in the first place. Maybe you are better off thinking about directing funds to people directly rather than trying to figure out how to balance Coleman Young and the mayor of Rockville, Md., whose name I have forgotten but whose location I remember well.

Dr. LEVEN. The city of Houston has an impressive percentage of its population with incomes below the poverty level.

Dr. BIRCH. Yes. In fact, it has a staggering percentage.

Dr. LEVEN. It is very high, yes.

Dr. BIRCH. They could qualify for any Federal program very easily while running a 30-percent surplus on their budget.

Mr. SCHEUER. How do they manage that?

Dr. DOWNS. They do not have any government. [Laughter.]

Dr. BIRCH. It is a very conservatively run city.

Mr. AKAKA. Let me call on Dr. Martin. Do you have any questions?

Dr. MARTIN. Yes. I want to ask Dr. DaVanzo a question. In our previous hearings we have heard about the aging of our society as the population growth rate slows down. What sort of effect do you think this will have on migration within the United States? Will we see a decline, since the 20-year-olds move the most, or, with better health and increased longevity, will we see a greater movement of the 65-and-above population?

Dr. DAVANZO. I think we will see both. I think the young will continue to be the most migratory group. There will just be less of them.

The elderly now are moving to very specific types of places. With higher pension incomes and longer life expectancies, there is somewhat more migration to retirement communities than there was previously. In fact, many of the growing nonmetropolitan areas are retirement communities. These are not just in places like Arizona and Florida, but northern Michigan and other places like that.

As the elderly become a larger proportion of the population, they will become a larger proportion of all migrants; but whether the number of people moving or the percentage of people moving will increase I really cannot say. I would not expect that there would be a drastic change.

Dr. MARTIN. How much of an effect is the increased labor force participation of women going to have on decisions of families to move? Are we already seeing it in the statistics, or is it something that we will not be able to see in the near future?

Dr. DAVANZO. I felt that would be of some interest for these hearings, and I tried to look into it beforehand, but I just did not see any two studies that pointed in the same direction. Currently the evidence is that, by and large, families still tend to base their relocation decisions primarily on the husband's opportunities, perhaps because his total time in the labor force and total lifetime earnings are greater than the wife's. A result of this may be that the wife's career opportunities may be impaired. It may be best for her to move at a certain point, but she is tied down by her husband's career. Or he may get transferred and, even though she has got a good thing going where she is, she is forced to move. We have seen an increase in the number of job-related marital separations—weekend marriages and so forth, and there may be an increase in the trend toward this.

I think one possible consequence may be that these two-earner families may tend to congregate in larger areas where both the husband and the wife are more likely to find a job. Other than that, it is hard to say whether this type of family will be more likely to move or less likely to move. It is just that one or the other of them is being impaired by the other's decision unless their opportunities tend to be in the same places. I do not know if that would be enhanced by their both being in the same profession, because, for example, some universities have policies against hiring both a husband and a wife.

Dr. **Martin**. There is one final thing I would like to ask about, and that is the influence of energy costs on migration decisions. First, there are the factor costs for firms in their locational decisions. Second, there is the impact of increasing commuter costs on the decisions of individuals about where to live. Do any of you have any predictions on the influence of these costs?

Dr. **DaVanzo**. Well, you certainly see a trend of people moving toward areas that focus on energy extraction, like Wyoming and Appalachia; but I do not think that is what you are getting at here in this question.

Dr. **Martin**. Not quite. Dr. Birch, I know I have read some of your things and——

Dr. **Birch**. That is a very complicated question, and I do not think the answer is obvious. I do not think the answer is that there will obviously be more concentration and a rebirth of the cities.

One of my colleagues at MIT looked into this from a theoretical point of view and observed that if energy cost nothing, you would live and work at the same place because you could bring everything you needed to where you lived and there would be no point in going to work. If energy costs were——

Dr. **Downs**. He has never had children; I can see that. [Laughter.]

Dr. **Birch**. If energy costs were very, very high, as they have been for most of recorded history, you would live and work in the same place because there would be no notion of being able to get anywhere else. If you look at the history of New Haven back in the 1600's and the 1700's, everybody worked and lived in the same place.

It is only during a very short period in history that living and working in different places has really been in effect, so nobody quite knows what the consequences of gasoline costs going up to, say, $5 or $10 a gallon might be.

Professor Leven pointed out that we have had a series of technological changes in the Interstate System, in telecommunications, and in the moving of data rather than goods, such that the physical cost of moving things around is much less important to our economy than it was a considerable time ago. With the Interstate System, 70 percent of all the food, for example, consumed in Boston is grown in California; so we are shipping water 3,500 miles. We probably would stop doing some of that, but we are still going to use that interstate network as a means of distributing things in a way that we never did before. Any point on that network is more or less equidistant from any other point.

So I would suggest that probably a pattern of dispersal would be encouraged by rising energy costs rather than a pattern of reconcentration. In other words, if you look at the pattern of Houston, you can live and work in Sugarland or you can live and work in Conroe or you can live and work in any one of the nodes throughout the Houston metropolitan area and still be in Houston. That does not argue that the central city of Houston will grow at all.

Quite the contrary. I think the diversity of functions within each node will grow. That is very analogous in a way to the Chinese system that has been developed over the last several thousand years, where in fact there is more despecialization and an increased mix of things in a dispersed net. That may well be the route that is followed here, not a rebirth of the central cities.

It still takes a much longer time to get to and from work in a central city than it does in a small town. As long as you can get the things you need—which are increasingly not goods-based—on one of the nodes of that network—and electrons go very fast and very cheap—then it makes little sense to rebuild a city as energy costs rise.

So I think it is not at all obvious that the central city is going to boom again when energy costs go up.

Dr. **Leven**. I do not think that is true either. In fact, one of the things which tend to get ignored is that most people are a lot more concerned about the cost of heating and cooling their house than the cost of operating their motor vehicles. That is probably true of most people. Surely it is true for me.

What that says is that higher energy costs, viewed over the longer run, have really very substantial impacts on the nature—the physical nature—of housing. That is in fact one of the reasons for believing that people might want to live at rather high microdensities compared to present suburban standards. The way that they will tolerate that sociologically is by being in a system of dispersed nodes where they will be in residential-working centers of modest scale in a regional system that is a couple of hundred miles wide. At a regional level they will go to ball games or universities, and at a neighborhood level they will work, shop, visit, and live. The neighborhood level might be rather dense and small in this big network. I think that that would be the effect of higher energy costs.

Mr. **Akaka**. Dr. Anne Williams?

Dr. **Williams**. Dr. Downs, it seems to me that what you have been saying is that we should install dictators in American cities, who will then fire all of the municipal employees. Do you think that the nondemocratic nations give us any models for dealing with the divergence between social and private considerations in an urban setting?

Dr. **Downs**. I would say that, to over simplify, you have grossly distorted what I said. [Laughter.]

I said that the city of New York was not going to solve its problems without the suspension of democratic leadership within the city. The reason for that is not that I would take dictatorial nations as a model. Rather, the city of New York has gotten way out of line with the opinions of the majority of people in the United States and now expects the majority of the people of the United States to pay for it.

It is not that I would recommend suspension of democracy throughout the country; on the contrary, I think that New York has gotten itself in a position where we must suspend local democracy in order to move it back toward alinement with the rest of the country. The peculiar results of the elected officials running New York being elected only by the people in New York are what we have to overcome—not their being responsible to the people who are putting up the money that they want the rest of the Nation to supply.

Dr. **Williams**. But is that not true for every city?

Dr. **Downs**. No, not every city——

Dr. **Williams**. The officials of Boston are elected only by people from Boston.

Dr. **Downs**. But not every city government has engaged in the irresponsible and probably illegal behavior that many of the politicians in New York participated in when they ran up their budgets, lied about their projections, and performed other acts which I think are reprehensible, to say the least.

Dr. **Williams**. Do you think that on the whole politicians are responsible and moral and will not get into trouble with——

Dr. **Downs**. Well, there are no other cities negotiating with the Federal Government this afternoon to save themselves from bankruptcy that I am aware of. That is some commentary on their success at avoiding trouble, as compared to the city of New York.

Now, I grant you that New York has had some difficulties that are not typical. In particular, I think the greatest of those is the inflow of low-income households from outside the United States. That is a burden that partly results from the welfare structure, but it is partly a result of other factors that are beyond the control of local officials. But no other city has——

Mr. **Scheuer**. The welfare structure is beyond the control of the local officials.

Dr. **Downs**. That is what I said. On the other hand, it is not necessary to put your short-term expenditures in the capital budget and then pretend you are not doing it, which is what was done for a long period of time in New York.

I think that the fact that no one else is negotiating for Federal rescue from municipal bankruptcy at this point is some indication that it is possible to govern a large city without engaging in the practices that New York has engaged in.

I am not making those critical comments about the leadership that has just been elected. We do not know what it is going to be like. But I think there certainly was rather reprehensible behavior on the part of many leaders of New York—including bankers, unions, and all the people who were engaged in this—who were knowingly misleading each other and the public as to what was really going on.

So, to suspend local democracy means to prevent them from continuing to do that in order to put them back more into alinement with the behavior and values of the rest of the country. I do not think that is a reprehensible act.

Mr. **Akaka**. Dr. Leven, Dr. DaVanzo, Dr. Birch, Dr. Downs, and Dr. Bahl, on behalf of our Select Committee on Population and our task force, I want to thank you for your presentations and for your comments and statements, which you shared freely, and I want to thank you for your time. We are very grateful.

At this time I would like to declare this 3-hour hearing adjourned.

[Whereupon the hearing in the above-entitled matter was adjourned at 12:44 p.m.]

[Additional questions asked of the witnesses by the chairman.]

Additional Questions Asked of Dr. Charles Leven by the Chairman

Question 1. In your prepared statement you stated that "real progress in adjusting to maturity seems underway."

Could you explain what you think the necessary adjustments are?

Aren't we going to have to change our ideas about the amenities our cities can provide in the future?

Answer. The major part of the adjustment is to alter our expectations as to what should happen to total population and total labor demand in the geographic areas we now think of as cities or SMSAs. Also, and perhaps more important, is to change our expectations in regard to the distribution of occupations that will be demanded in core areas, including their suburbs. Emerging metropolis will be much more like a regional system (maybe 200 miles across) of individual employment-residential centers (say 50 to 200 thousand each) with working and routine consumption and social interchange at the individual-center level and with high level consumption at the metro-regional level. In this system, what are presently entire SMSAs will become the "cores" of the larger systems. In some ways, these systems will offer more amenities than at present—in a sense, the best of both worlds; small town life and metropolitan culture and services. But they will also probably call for lessened demand for traditional public services which, given the present mood of taxpayers, is fortunate.

Question 2. In your testimony you mention the pervasiveness of metropolitan maturity in Western Europe. You also refer to the Inner Urban Areas Bill in the United Kingdom.

Could you tell us how successful urban and regional development policies have been in other developed countries?

Answer. In a certain sense, urban and regional development policies in western Europe have been more successful than in the U.S. There is less physical decay in the large cities, there is less dislocation of poverty groups, and there is less overall unemployment. On the other hand, at least until recently, most of west Europe had substantially lower per capita income, less space for urban development and less reliance on automobiles. Also, land use control is much more effective and local fiscal autonomy much less in Europe. In sum, they seem to have precisely the same problems of maturity that we do, though the undesirable consequences are much less marked: this is due in part to maturity hitting not quite so hard, in part due maybe to its coming a little later, and in part due to their having more control of local institutions.

Question 3. What can the growing cities of the South and West learn from the experience of the older northern cities? Can their maturation be planned for and thus be made easier?

Answer. The large SMSAs of the south and west are certain to be hit much less hard than those of the northeast and central regions. They are built at more appropriate densities, in most but not all cases much less dependent on traditional industrial employment, have less governmental fragmentation, and in many cases relatively uncongested hinterlands. Maturity will come more slowly and less severely in those regions, but it will come nonetheless. Urban life, there too, will be reoriented around very large but very dispersed metro-regional systems with activities in the main central node depending more on supporting large scale regional consumptions than production. Given the likely time lags involved, there is no question that the transition can be made much more comfortably there by observing what happens in the northeast and central regions and, to some extent, in Canada and west Europe as well.

Additional Questions Asked of Dr. Roy Bahl by the Chairman

Question 1. What do you think of the Administration's proposed national urban policy and of the supplemental fiscal assistance program for declining localities, in particular?

Answer. The Administration's urban policy is really no more than a statement of general principles, therefore it is difficult to comment on the specifics of the program. However, even as a statement of principles it falls short, in my opinion, in two important areas. First, it does not seem to recognize the particular needs of distressed urban areas. It seems to include urban, suburban and rural jurisdictions in the policy and therefore "spreads" rather than "targets" assistance. Since the size of the federal pie available for distribution is likely to grow smaller, this constitutes a serious policy flaw. Second, the program views declining areas in terms of revitalization rather than compensation. There seems to be some idea that declining urban areas can be revitalized and that their economies can somehow be brought back to previous levels. I think there is not reasonable evidence that suggests this is possible and I think it would be even difficult to make the argument that this is desirable. A more appropriate policy would recognize inevitable decline and compensate for the loss during the transition period.

Overall, the administration's proposal is subject to criticism in that it has very little by way of specific approach to deal with these problems. My views on this are given in more detail in a December 1977 print from the House Subcommittee on the City of the Committee on Banking, Finance and Urban Affairs "Perspectives on a National Urban Policy" in "How Cities Can Grow Old Gracefully."

Question 2. Distribution of revenue sharing funds is based on the size of the local population. therefore, if an area loses some of its inhabitants, it is most likely to lose funds at a time when it may need Federal assistance the most. Is there a better way that these Federal funds could be allocated?

Answer. Any distribution of funds which is based on population assumes that any given resident requires the same amount of financial support. That, of course, is not true since certain parts of the population are more dependent and require more costly and greater quantities of service. The loss of a productive and nondependent resident—the characteristic of most outmigrants from the declining region—does not imply a proportionate decline in public service demands. If funds were allocated on some basis of "needy" population, outmigration would not result in a proportionate reduction of federal assistance. Concentrations of poverty population, adjusted by some appropriate cost of living index, would constitute a reasonable measure; proportion of people who are on welfare, aged or young would constitute another. The other answer to this question is that the federal government ought to assume more responsibility for the financing of redistributive services.

Question 3. What can growing cities learn from the fiscal experience of declining cities?

Answer. I have explored this issue in a recent paper "The Effects of Regional Shifts in Population and Economic Activity on the Finances of State and Local Governments: Implications for Public Policy" which was prepared for a seminar at the LBJ School of the University of Texas in Austin. In that paper I argued that it is likely that the rapid fiscal expansion in the state-local sector in the growing region has yet to come. Investments in public infrastructure on human capital often lag behind the growth in population and income level.

If the Southern Tier of states is about to enter a fiscal growth period similar to that experienced in the Northern Tier in the 1960's, some of the painful fiscal lessons of that period might be well learned. Much of the problem facing the Northern Tier states was not of their own making. The very rapid fiscal expansion in the mid and late 1960's and early 1970's was to a large extent, the result of union pressures for higher employee compensation, a demand that was abetted by a high rate of inflation, and a crowding of high cost-low income citizens into the central cities. Much of this expenditure increase would have been difficult to avoid. Other aspects of the expansion, however, were more discretionary—the making of substantial long term fixed debt and pension commitments, the addition of substantial numbers to the public employee roles, and the buying into Federal programs to expand the scope of services offered.

The growing states with rapidly developing public sectors could learn much from this experience. But the lesson is not that public employee unionization should be resisted or that public service levels should be kept at modest levels, but rather that the longer term consequences of fiscal decisions should be continuously monitored. Moreover, there are conditions in the growing region which may make the growth experience much less painful than in the Northern Tier. A more favorable local government structure and a more elastic tax mix that is less reliant on the property tax may allow big, newer cities in the growth region to avoid the central city financial crisis which is so common in the Northern Tier.

GEOGRAPHICAL REDISTRIBUTION WITHIN THE UNITED STATES: AREAS WITH GROWING POPULATION

WEDNESDAY, JUNE 7, 1978

House of Representatives,
Select Committee on Population,
Washington, D.C.

The Select Committee met, pursuant to notice, at 9:40 a.m., in room 2337, Rayburn House Office Building, Hon. Daniel K. Akaka (cochairman) presiding.

Members present: Mr. Scheuer, Mr. Akaka, Mr. Erlenborn.

Also present: Dr. Martin, Dr. Williams, Dr. Bouvier, Ms. Parks, Ms. Stolp, Ms. Tames.

Mr. **Akaka**. The hearing of the Select Committee on Population will come to order.

This morning we will continue receiving testimony on geographical redistribution, particularly focusing on areas with growing population.

We are delighted to have as witnesses this morning: Dr. Muller, Mrs. Anderson, Dr. Tweeten, Dr. RuBino, and Dr. Alonso, who will be arriving shortly.

We will include your testimony in total in the record, and we would like to have you highlight your prepared statement with some brief remarks of not more than 10 minutes. Following that, we will ask questions of you.

With those preliminary remarks, I would like to call on Dr. Muller to begin.

STATEMENT OF DR. THOMAS MULLER, PRINCIPAL RESEARCH ASSOCIATE, URBAN INSTITUTE

[Prepared Statement in Appendix on p. 281.]

Dr. **Muller**. Thank you, Mr. Chairman.

Relative growth and decline have been part of our national economy ever since the nation began, with some areas growing more rapidly than others. This was considered to be part of our Nation's economic structure.

During most of our history, real income has been rising and stagnation, with the exception of periodic depression, has been limited to relatively few areas, such as the Appalachian region in the 1960's. Historically both central cities and suburbs were growing and improving their economic posture at the same time as most smaller communities were also growing.

Let me cite an example. New York City and New York State had real growth in income for most of their history until the late

1960's. Indeed, most people do not realize that during the 1920's in New York State residents held one-quarter of the national income and paid almost 40 percent of all Federal taxes. The region had a substantial concentration of income and wealth, and some of it was shared with the poorer regions.

In earlier periods, redistribution of our population was both a natural and a necessary phenomenon. In recent decades, however, the situation has changed. Between 1968 and 1976, for example, household income has remained constant, that is, there has been no real increase in what an average family earns during the last 8 years. Indeed, after taxes, income has declined. Thus, the pie which has expanded historically has remained the same for almost a decade.

At the same time, we have had, as I am sure was noted in the hearings yesterday, substantial outmigration from central cities. Indeed, between 1970 and 1977 over 10.3 million people left our central cities. I am referring to the net movement of people—the difference between those moving in and leaving. Given the current situation, the concern is the effect this movement has not only on the recipient population but also on the population remaining in older cities, from which many individuals are leaving.

As I am sure has been noted previously, a number of Federal policies and actions, while not initially causing our population movement, have certainly accelerated the redistribution of our national population, particularly between the regions of the country. I, therefore, believe that the linkage between decline, which was discussed yesterday, and growth issues, which are today's subject in part, has to do with offsets between growth in one area and decline in another area.

Let me briefly cite two examples. In the city of Glen Falls, in upstate New York, a large shopping mall was built several years ago outside the city boundaries. Having examined the effects of this mall and several others. I find a direct shift in commercial activity from the downtown areas of cities—in this case Glen Falls—to new shopping centers outside city boundaries. Again, this is a situation where we have the same sized pie; therefore, the movement of population, as well as goods and services, represents a shift from point A to point B rather than a benefit to both areas.

Similarly, if one looks at New York City, with its well known fiscal problems and examines the shift in regional employment between the city and the outlying suburban areas, one finds roughly a 1-to-1 offset. For one retail job lost at the urban core there is one job gained in the suburban areas. Again, this is a change from the traditional situation where we could have growth in both our central cities as well as our suburban areas.

What we now find, particularly in the Northeastern States, is that economic activity expanding in one area results in a direct offset of economic activity in another. I believe much of the concern we have about both decline and growth is centered on this historical change. We now have an absence of overall net economic expansion.

While all of us hope that in future years our economy will again grow at its historical rate, many changes, such as the cost of energy, natural resources limitations, and others, reduce the chances that our economic growth will be at historical growth rates.

It is also necessary to understand and recognize that both the types of problems that arise and the response to them, if any, by Federal agencies differs between problems of growth and decline. In most instances, and there are some notable exceptions, State and local governments have both the legal capacity and the economic resources to control or mitigate the adverse economic effects occasionally associated with rapid growth.

The capacity of local governments to respond to decline, however, is rather limited both economically and politically. The ability of local and State governments to deal with these issues differs. However, it is necessary to recognize—and I am sure the speakers who will follow will discuss some of the specific issues—that growing communities have some specific problems. I will spend only 2 or 3 minutes briefly reviewing some of the factors causing growing jurisdictions to have fiscal problems and briefly note the response to these problems by local and Federal agencies.

The major reason why growing areas have fiscal difficulties is linked to the need for additional services and the higher per unit cost of providing these services. As an area goes from rural to urban, one finds during the transition the need for expanded public safety services, police, fire, and utilities which are not required in small communities. So one finds basically an expansion in the cost of public services.

I might add that part of the problem which developed in California, particularly in southern California, which led to Proposition 13, was the high expenditures for public services in the growing counties of southern California. Much of the population growth took place during the 1960's, but historically there has been a lag between the demand for public services and inmigration. The rise in service needs came in California during the 1970's.

Not only do rapidly growing communities require more services once they reach a certain size, but they face different costs of these services. We have substantial evidence to show that large, high density central cities are more expensive in terms of providing public services, compared to smaller jurisdictions. In part this is due to differences in the unit cost of public services; this is attributable to a higher wage structure reflecting higher costs of living. For a combination of reasons, large cities are more expensive to live in. While this was the situation in the past, we have been able to offset higher public sector costs from growth in the private economy. For example, New York, Philadelphia, and Detroit were always expensive cities in terms of public service costs. However, during the 1920's and 1930's, economies of scale in the private sector were so great that whatever additional costs were necessitated in public services could well be absorbed by the growth in the private economy and resulting increases in real income.

Recently we observed a change. Today, parts of central cities' economies are no longer able to compete fully with growth which is taking place on the urban periphery. The absence of private growth with continuing public sector expansion results in unreasonably high tax burdens.

Finally, and I will not go over the statistics, I have illustrated in a number of large metropolitan areas the acceleration in the cost of public services, particularly of public safety. Again we have evidence to show that rapidly growing areas have a much greater rise in crime rates compared to areas with a stationary population. Higher crime rates lead to greater need for police services. The need for capital outlays to expand infrastructure, police services, et cetera, is also present in areas of growth.

The largest rising cost which growing areas have is associated with higher school enrollment. Again taking New York State as an example, growing suburban and smaller rural counties of the State have an acceleration in school enrollment, while most of the older areas have an absolute decline in school enrollment, which is typical of the national pattern.

Basically, the data show that service costs on a per capita basis tend to be increasing at a rapid rate in growing areas. In terms of a broad national perspective, I believe that what we need is additional information, in order to have a better idea about the social and economic costs and benefits of population redistribution and to support, if necessary, legislative action.

Most people believe that such a redistribution is both useful and necessary. While I agree that one should not in any way limit the mobility of our population, we do need to know the implicit and explicit subsidies which may cause population shifts. We need to know particularly about subsidies which result from Federal policies.

Let me spend 1 minute at the end of my comments to note how the Federal agencies have responded to issues of growth.

Mr. **Scheuer**. Could you tell us how Federal agencies have responded to the issue of decline, as well as to the issue of growth or nongrowth?

Dr. **Muller**. Fine. Let me start with growth and then go to decline.

In terms of the Federal response to growth, where specific Federal actions have led to rapid acceleration of population growth, special bills have been passed to provide fiscal relief to these communities. I cite one or two of these; the premise of these special bills is that if the Federal Government is causing rapid expansion of population in a particular community and the benefits of expansion are national, the cost of that expansion should be shared by all the residents in the Nation. This is the philosophical basis for these legislative actions.

In terms of decline, until 3 or 4 years ago, the national concern with decline was limited to specific areas. The major area which received special assistance, which was declining primarily due to the shift in the use of energy—from coal to oil—was the Appalachian region, particularly the States of West Virginia and Kentucky. In these areas, there were several hundred thousand coal miners who were no longer able to work because of the shift from a particular energy resource, which was bituminous coal, to another, oil. Beginning in 1965, funds were provided under the Appalachian Act to offset some of the economic and fiscal problems which arose from the decline of that area.

The problems associated with the decline in economic activity in many of the Northeastern States did not become, Mr. Chairman, a prominent issue until roughly 1974-75. Much of the debate was a direct result of the fiscal problems of New York City and the recognition that many of the problems of the city were not due exclusively to the inability of the city to manage its resources, but were due primarily to the loss of economic activity and thus the loss of private sector employment in the city. Such losses have also occurred in other cities, such as Buffalo, Detroit, and Cleveland.

The more recent response to decline has been primarily in the form of assistance through the countercyclical aid programs. I would categorize the Federal response in two ways. I believe there is one response which is missing. One response has been at least implicitly to increase transfer payments to declining areas. In large cities such as Philadelphia and New York, if we examine growth from 1970 to 1975 in personal income, not in constant dollars but historical dollars, we find that 38 to 40 percent of the growth was in the form of transfer payments. Of course, transfer payments are not taxed by the States which impose a personal income tax. So transfer payments really do not contribute to the public economy, yet these cities have become increasingly dependent on transfer payments.

Thus, one response has been to provide individuals with additional income in the form of transfer payments to supplement their inability to earn income in the private market. The second response, which has been more limited, has been to provide specific fiscal assistance to communities which have high unemployment.

I believe that both of these measures were useful and necessary. However, it is my view that programs aimed specifically at encouraging development in the private sector have not received sufficient attention. In the final analysis, the Federal Government cannot and perhaps should not have large numbers of individuals on the Federal payroll or pay municipalities to hire more workers. It is an inefficient way to operate, and it is not useful in the long run either to the individual or to society. One of the responses which needs particular attention is the stimulation of the private market and private employment in declining areas in order to enable them to compete effectively with other regions and growing areas.

What we have today is a differential in the cost of doing business between older cities and other areas. That differential is caused in part by implicit past Federal actions and in part by private residential and other locational decisions. The combination of the two has led to a differential. It is my view that aiding the declining areas will require a better understanding of the issues and more legislative action to stimulate the private economy and to reduce the differentials in the cost of doing business which now exist between areas which are growing and areas which are declining.

Mr. **Scheuer**. Are you saying that Congress should not fund public service employment programs or increase federally funded local employment, but do something to encourage the private sector employment in the cities so that they can compete?

Dr. **Muller**. That is correct. Once again, examining statistical data and discussing the issue with a number of people, one finds that public employment tends to be somewhat inefficient. In fact, speaking about growth, I happened to spend some time in Southern Georgia, where I discovered that in some rural counties one-half of all public jobs are CETA jobs. I do not believe this is healthy in Georgia or in other areas.

What we have is a large number of municipal employees paid from Federal funds, which I believe is a useful short-run phenomenon but not a long-term solution to unemployment. CETA was meant to be a countercyclical aid program. However, it is my view that the decline in many of our larger urban areas is not a temporary situation but a long-term problem. In order to deal with the long-term problem, public employment is not the answer; I think we need to stimulate the private sector.

The way to do it basically is to reduce the differentials which exist in the cost of doing business. I think municipal government would have to cooperate in this effort. It is not basically a Federal function. But I believe in cooperation with local and State government, some of the cost differentials can be reduced to make these areas more competitive.

Mr. **Akaka**. Thank you very much, Dr. Muller.

What you have just heard was the bell informing us that there is a vote on the floor. At this time I would like to call a recess for about 10 or 15 minutes.

Thank you.

[Recess.]

Mr. **Akaka**. The hearing will resume.

Now I would like to call on Mrs. Eileen Anderson of Hawaii and welcome her as she testifies on population growth management issues.

May I further mention that I am asking my colleagues to feel free to ask questions as they see the need.

STATEMENT OF MRS. EILEEN ANDERSON, DIRECTOR, DEPARTMENT OF FINANCE, STATE OF HAWAII

[Prepared Statement in Appendix on p. 296.]

Mrs. **Anderson**. Thank you, Mr. Akaka.

Looking around me at the table and seeing all these distinguished gentlemen, I want to warn you that I come at this question from a very provincial point of view, but I understand that is what you wanted. Therefore, I am going to talk specifically about population growth in Hawaii.

I think most of you know that Hawaii is an island State located in the middle of the Pacific Ocean, approximately 2,400 miles from the continental United States. It has a land area of 6,425 square miles, distributed over seven populated islands. Tourism is the State's major export industry, followed by defense expenditures and then agriculture, chiefly sugar and pineapple.

Our total resident population in mid-1977 numbered approximately 894,000; our de facto population was closer to 1 million. Between 1960 and 1975, Hawaii's population growth rate of 2.3 percent made it the sixth fastest-growing State in the Nation. The State of Hawaii was growing almost twice as fast as the United States as a whole.

In addition to its extremely rapid rate of population growth, Hawaii's population problems are aggravated by a gross imbalance in the way in which the State's population is distributed. More than four-fifths of the people live on the island of Oahu, which comprises 10 percent of the State's land area and which serves as the political, business, and industrial center of the State. In 1976, this island's de facto population density was 1,286 persons per square mile.

Hawaii's population has achieved a low rate of fertility, primarily because of modern methods of birth control, education, and changing social and economic attitudes that favor small families. At the same time, migration has come to be the dominant factor in the growth of population, accounting for more than one-half of the population increase in the current decade as compared with 40 percent during the previous decade. Migration from foreign countries to Hawaii has increased nearly fourfold since the early 1960's. Therefore, if a slower rate of population growth is to be realized in Hawaii, migration must be the primary focus of attention.

Looking at gross inmigration to Hawaii, it is found that approximately one-fourth of Hawaii's inmigrants are immigrants while the remainder are U.S. citizens. However, in terms of net inmigration, that is, the excess of inmigration over outmigration, it is estimated that alien migration accounts for much of the total. It represents an estimated 70 percent of the net immigration in the 1970–75 period, up from 16 percent in the 1960–65 period.

The fact that immigrants have come to represent an increasingly larger proportion of the net inmigration may be traced in large part to changes made in 1965 in the Federal immigration laws. These changes facilitated the immigration of Asians as compared with Europeans, as evidenced by the fact that prior to the passsage of the 1965 amendments, only 1 of 14 immigrants to the United States was Asian; by 1975 the proportion had risen to 1 in every 3.

Because of its multiethnic population and central location in the Pacific, Hawaii has always been a popular destination for people emigrating from Asia. Thus, when the 1965 amendments to the Immigration and Nationality Act were implemented, a disproportionately large number of immigrants began selecting Hawaii as their place of intended residence. This is evidenced by the following statistics. Whereas, prior to 1965, immigrants to Hawaii averaged 1,800 per year, the current arrival rate is about 7,000 per year, almost a fourfold increase. And compared to other States, Hawaii attracts a disproportionately large number of immigrants. In fiscal year 1975, for example, Hawaii received 8.70 immigrants per 1,000 population, the highest rate in the Nation, and 4.8 times the U.S. average.

It is reasonable to expect immigration to Hawaii to remain at a high level as the large number of immigrants who came after the liberalized 1965 amendments attain citizenship or establish permanent residence and, in turn, sponsor relatives who may then immigrate under the preference system.

Besides the Federal immigation laws, other factors which positively influence migration to Hawaii include: first, availability of employment opportunities; second, efficient and frequent air transportation; third, Hawaii's climate and natural beauty; fourth, tourism, the State's major industry; and, finally, liberal welfare benefits. It is believed that these latter factors influence migration from the mainland United States more heavily than they affect alien migration.

Hawaii's 1970–77 population growth rate, if continued, would lead to a doubling of the population every 34 years. Can Hawaii satisfactorily accommodate that many people without a serious deterioration in the quality of life is a question that many persons in Hawaii are asking. A recent survey found that over 80 percent of the people feel that the State's population is growing too fast.

Concern regarding the State's rapid population growth rate stems from several factors. Hawaii's limited physical size is clearly one obvious cause for concern. Hawaii ranks 47th among the States in terms of land area, but it ranks 15th in terms of population density.

There is the concern that uncontrolled urbanization may adversely and irreversibly affect Hawaii's most precious assets, its natural beauty and environment. Their degradation would be an irreparable loss and could spell economic disaster for the State.

A growing population poses concerns related to employment. In recent years, Hawaii's job opportunities have been unable to keep pace with the rapid growth of its resident population, causing high rates of unemployment to persist. It is felt that unless we can come to grips with our population growth problem, it is likely that unemployment will remain at substantially high levels in the foreseeable future.

Finally, rapid growth brings with it socioeconomic costs that appear to exceed the benefits.

In his 1977 address to the Hawaii State Legislature, Gov. George R. Ariyoshi committed himself and his administration to protecting Hawaii from the problems of excess growth and overpopulation. In the summer of 1977 he established a growth management task force to identify specific actions that the State might take to shape and direct its further growth.

Tackling growth-related problems is part of the State's continuing commitment to achieve a better tomorrow for its residents. For some time now, Hawaii has played an innovative and precedent-setting role in many of its efforts to look at and deal with the future, as illustrated by the recent adoption by statute of a State plan—a first in the Nation.

The task force that Governor Ariyoshi set up to address growth-related problems prepared a report setting forth "A Program for Selective Growth Management." Broadly speaking, the intent of the selective growth management program is to encourage the right kind of growth at the proper place and pace—the kind of growth that will serve to protect and enhance Hawaii's natural environment, promote wise allocation of the State's physical and natural resources, and improve the socio-economic condition of our residents. The program focuses on three aspects of growth: Economic growth, population growth, and population distribution.

At the heart of the selective growth management program is a series of 29 legislative actions—comprised of additions and/or amendments to the Hawaii Revised Statutes and Concurrent Resolutions—39 administrative actions, and 3 proposed amendments to the Federal Immigration and Nationality Act.

The task force's recommended additions and/or amendments to the Hawaii Revised Statutes and Concurrent Resolutions were submitted by Governor Ariyoshi to the ninth session of the Hawaii State Legislature which convened in January 1978. In submitting the package of 29 bills and resolutions to the legislature, the Governor expressed his desire that legislators use them as a device to begin dialog on proper courses of action to preserve and protect Hawaii from excessive growth.

There are a number of Federal actions that we believe would ease Hawaii's growth-related problems. I would like to address those for a few minutes.

First of all, we believe that the Federal Government should require a more equitable distribution of immigrants among the States by amending the Immigration and Nationality Act. While nationwide, there is an overall ceiling on the number of immigrants that can be admitted annually to the United States, there is no quota or ceiling by area or State within the country. As a result, immigrants tend to concentrate in a few States, thereby placing additional burdens on the limited financial resources of these locales and, in some cases, causing unemployment to rise when aliens compete with citizens for limited jobs.

We believe that Congress intended immigration to be a national responsibility. For this reason, we believe that consideration should be given to amending the U.S. Immigration and Nationality Act to provide for a more equitable distribution of immigrants among the 50 States.

Mr. **Scheuer**. Will the witness yield?

Could such a thing be done constitutionally? Could we tell immigrants coming into the United States that they are only permitted to live in the South Bronx or Grand Island, Nebr.?

I sympathize with what you are saying. I live in New York City where approximately 15 percent of the population is comprised of immigrants. It is a big problem. We have tussled with it intellectually. We don't have any answers. This is a very simplistic answer that would be attractive to a lot of people, although I am not sure how it would work. But it seems to me we have a Constitution that would prohibit that kind of an approach.

Mrs. **Anderson**. Yes, sir, we understand that there are probably constitutional problems with that approach, and we have some alternatives. But we do believe that if it is proper for the United States as a nation to limit, in the first place, the number of people who are allowed to come to the United States, that somewhere along the line an individual State which has responsibility for providing services to such persons should also have some expectation of a ceiling that there should also be some opportunity for limitation in terms of the number of people who impact a given area of the United States.

Mr. **Scheuer**. I honestly don't know how you could do that constitutionally. I understand how we can share the burden. It is perfectly obvious if immigrants are on public welfare rolls and make claims on housing and education facilities, it should be a national burden. It was the national Government, representing our compassionate history and tradition, that made the decision to let them come in.

The whole welfare burden should be lifted, as a city and State matter. Just as we have a special impact program for education areas; for example, in Hawaii where we have moved in a large number of military personnel, perhaps we ought to have impact aid where there are a large number of immigrants.

As for health programs, as you know, the city of Los Angeles is suing the Immigration Service for $50 million. The city of Los Angeles says it has cost them that amount of money over the last year or two to provide for the health needs of illegal immigrants. That burden can and should be shared.

I would be very much interested in hearing your ideas on the specifics of such a burden-sharing program.

But, on the question of limiting where people live, this, it seems to me, would be absolutely confrontational as far as the U.S. Constitution is concerned.

Mr. ERLENBORN. The Constitution aside, let's assume that you don't have any constitutional problem, and you can limit where people live, would we want to do it? I must say, frankly, I am rather shocked that people in this day and age would make such a suggestion.

Mr. SCHEUER. May I say, categorically, that I would be strongly opposed to such a suggestion. Intellectually, I would be interested in hearing your suggestions. But I have an emotional, as well as an intellectual, abhorrence of the idea that such an action would be attempted.

Mr. ERLENBORN. If we could find a constitutional way to do it, would we want to create a sort of internal visa situation where the Federal Government or the State government would tell people when and where they could go, where they could live? I think that if we were to attempt that, the President, to be consistent in fighting for human rights around the world, would have to cry out that the human rights of the citizens and legal residents of this country were being violated.

Mrs. ANDERSON. Mr. Erlenborn, I understand your concern about that. Have you ever lived on an island, sir?

Mr. ERLENBORN. No, but every man is an island.

Mrs. ANDERSON. I am not going to let you off with that. You know I think Hawaii is in a very unique situation. That is why to some extent I come at this issue in such a provincial way. I think it is difficult for you or people from the Midwest or Texas to understand. In those areas, where there is no crowding, if you don't like where you are living, you can drive across the border and go somewhere else. We have very limited land, and very limited resources in Hawaii. We are 2,400 miles out in the middle of the Pacific. We have to be concerned with this kind of thing.

While, philosophically, I understand your problem and philosophically I have that problem also, by the same token we have serious problems in Hawaii. If we don't do something about them in the next 20 years or so, we are going to have more serious problems.

I understand Bermuda has imposed very heavy restrictions on a number of population-related questions. I think only if you live in that kind of a context, in that kind of a framework, can you really appreciate and understand the serious concern that we have in this respect.

Mr. **Erlenborn**. Maybe your mistake was in becoming a State. That limits what you can do. If you were a separate territory, you could have your own immigration policy.

Mrs. **Anderson**. Maybe our mistake is that we have not been able to convince other people that we have unique problems. That is one reason I am here today.

Mr. **Erlenborn**. I understand the political process. When there are very pressing problems, immediate problems facing your constituency, coming up with an answer is quite important. However, coming up with an answer like this that might be appealing, but which we all know is totally impractical, doesn't really help the situation.

Mrs. **Anderson**. We have some other suggestions.

Mr. **Erlenborn**. OK.

Mr. **Scheuer**. I would like to continue this discussion for a few minutes.

As you know, I come from New York City. People have been flocking to New York City for a generation or more for some of the same reasons that they have come Hawaii in the last few years. So I can bleed with you.

We have a city of about 7¼ million people; 1½ million of those are out of work and living on welfare. Approximately 100,000 live in public housing, and there are enormous burdens on our health services, et cetera. For a lot of them, New York City probably isn't the best place to live, because it is the city that demands the most sophisticated job and urban living skills. It is also hard for the children of parents who are not making it to cope in New York. A lot of people feel that a smaller community that didn't demand quite as much in the way of either urban skills or job skills would have been a better place for these people to settle. But there are forces that tend to keep people in New York.

We have higher welfare payments than almost anywhere in the United States. It is part of our rich cultural and political tradition in New York to treat the poor and aliens compassionately and sensitively. Therefore, New York City provides a more attractive environment for the poor and the aspiring than anywhere else in the country.

This tradition creates problems. If you don't believe me, come to the floor of the House this afternoon and hear the debate on the legislation to give New York City some financial aid. You will hear how badly New York City needs the help and how much resentment there is in the Congress and throughout the country for the way in which New York City has lived beyond its means. The $2,000 per person spent on health services and educational opportunities in New York City are considered extravagant elsewhere.

Now, looking at Hawaii's fabric of services for aliens and for the poor, has it done too much? Is this part of its problem? Does Hawaii provide higher levels of benefits? It may be that some of these centripetal forces are of its own design. It may be that Hawaii will have to go through this same agonizing process, this same anguishing process New York is going through now to try to unwind some of our decent, ethical, and moral acts of compassion and caring in the past because they aren't affordable. Furthermore, you have a Representative here from Hawaii and New York. We should be working together for a national program of sharing the costs. We should be working together for a national decision to be compassionate.

Mrs. **Anderson**. Yes, sir, I appreciate that comment. I think not too long ago in Newsweek or Time there was a list of the most generous States in terms of welfare and benefits and Hawaii was second to New York.

We had a gentleman testify in our legislature recently when we were going to amend our welfare laws. He was a man whose wife was mentally ill, and they had three children. He went through that list and decided that he would go to Hawaii and live because he could live best there on welfare than any other place in the United States.

Mr. **Scheuer**. Let me quote from page 17 of today's New York Times. It is an article about our hearing yesterday, "Urban Scholars Assert Decline in Cities Population Could Be Beneficial."

One of our great urban scholars, Dr. Anthony Downs, said, "New York City had adopted", and you can substitute the word Hawaii for New York City, "had adopted a peculiarly perverse policy. The indirect effect of public housing, good welfare benefits and other social services," he said, "is to drive out the wealthy and keep the poor."

He said it all in one sentence.

Mrs. **Anderson**. I don't want to give the committee the wrong impression. We are not coming at this just from the point of view of those in Hawaii. We are like you, we realize we are not doing a service to those who are migrating to Hawaii. We have many people from the Philippines, Korea, Samoa, and Japan, who are having great difficulties adjusting even though Hawaii is perhaps the most ideal place for them to come because of our climate and the kind of people who are already there.

But they have great problems, unemployment problems, underemployment problems, health problems. They have a hard time getting housing. Four-fifths of our people in housing are recent immigrants. We are really looking at it from both sides.

Mr. **Akaka**. Mrs. Anderson, what has the State of Hawaii done to try to meet this constitutional question that was posed?

How much more of your statement do you have?

Mrs. **Anderson**. I have 1½ pages, if I could finish that.

Mr. **Akaka**. Would you please do that.

Mrs. **Anderson**. After we got past the first suggestion, which obviously didn't go over very well, the second one, however, I think, is a little more practical.

We think we should reduce alien dependency on welfare by amending appropriate laws. Although immigrant admissions to the United States are conditioned on the explicit understanding that immigrants have means of support and would not become public charges, there is an increasing number of immigrants who are receiving public welfare assistance within 5 years of their entry into the United States, thereby creating a significant financial burden on the Federal Government and the States involved.

At a time when Federal, State, and local welfare costs are rising dramatically, there does not appear to be any relief in sight under the current law and its interpretation. Federal actions that could be taken to reduce the problem of alien welfare dependency include:

(a) Amending the Federal legislation which established the various welfare programs to include a durational residency requirement, of between 2 to 5 years, for alien recipients; or alternatively, amending the Federal Immigration and Nationality Act to include receipt of public welfare money payments by an immigrant within, say, 5 years of his arrival as one of the criteria for determining whether a person is a "public charge" and therefore subject to deportation; and

(b) Amending the Immigration and Nationality Act to make the affidavits of support, provided by sponsors of aliens, legally enforceable agreements, binding for a period of 5 years after admission.

If the Federal Government is not willing to promote these changes, then we believe it should be willing to assume the total social costs for welfare, housing, and unemployment of immigrants who are not able to support themselves.

Third, provide added Federal assistance to States with higher proportions of foreign-born population. I think we addressed this. Many foreign-born persons lack sufficient education to function adequately in our technological society. This lack of education often prevents such persons from finding satisfactory employment.

Other areas in which newly arrived, foreign-born individuals experience difficulties include nutrition, housing, and health. For those parts of the country where the proportion of immigrants per 1,000 population is greater than the national average, the above problems place heavy financial strains on their limited resources.

Since the Federal Government sets the policies that govern which persons can move to the United States, the Federal Government has a responsibility to assist those areas with large concentrations of foreign-born individuals in meeting the special needs thereby thrust upon such communities.

Fourth, we would like to have the beginning of a planning period which would include the States, particularly Hawaii, with the Federal Government, to look at the question of the Trust Territories.

Now this is a very specific problem, because as you know, the U.S. Government is going to end its trusteeship over the Trust Territories of the Pacific Islands by 1981. We don't know what is going to happen to all those areas, but if there is an example, it is the Commonwealth of the Northern Marianas which has just negotiated its own political settlement.

We expect that since we have attracted so many American nationals from American Samoa, that we can also expect that when the people of the trust territories also become U.S. nationals, that Hawaii will be impacted.

We would like to suggest that there should be some planning going on now between the Federal Government and Hawaii and any other interested States to begin to look at this question of whether there is anything we can do now to assure that whatever transition takes place is to their best interests and also to the best interests of the rest of us.

Finally, we would like to see established a national population growth and distribution policy. We believe this is necessary to lessen the congestion and reduce the pressure on the already overburdened resources of our metropolitan areas. We think such a policy should be consonant with a rural-urban balance of needs and urban potentials.

That conludes my summary, Mr. Chairman.

Mr. Akaka. Thank you very much, Mrs. Anderson.

At this time I would like to call a 15-minute recess.

[A brief recess was taken.]

Mr. Akaka. The hearing will come to order.

I want to thank Mrs. Anderson for her testimony. I certainly underscore the comments she has made for us, and I want to say further that Hawaii, to me, is a special place, a place that I think has a message, not only for the country, but for the world.

Since 1778 when Hawaii was discovered by the Western World, it began to change from a primitive society, very much like the Indians. But Hawaiians, because they lived in a climate that was gentle and that was kind, were very accepting of others. As others came to Hawaii, they were welcomed very readily.

Over the years of the monarchy, since King Kamehameha brought together what we call the chieftains of Hawaii, Hawaii's government has taken form. We had the monarchy up through 1893. Hawaii prospered with this type of government.

Following that, in 1900 we became a territory of the United States and finally a State of the Union in 1959. Throughout this development, the Hawaiians remained accepting of others. Hawaii began to be looked at as the Aloha State.

Let me briefly explain that "aloha" is a word that has many meanings in Hawaii, but particularly the deep meaning of aloha is an attitude of giving and not expecting anything in return. With this kind of feeling, people felt very welcome in Hawaii and felt at home there. So our population grew.

With this population growth, of course, we had some problems. But Hawaii became a pluralistic society, one we are proud of. It was a place where the different ethnic groups from Asia, as well as from Europe came, lived, and contributed to the society. So today we look upon Hawaii as a melting pot of society. We look upon Hawaii as a model community where people can live and work together in harmony.

We look upon this as a kind of quality of life that is needed for the world, the people of the world, and can be a model for people to look at. This quality of life depends so much on the natural assets of Hawaii.

The testimony that has been given today and the concern of the people of Hawaii is with regard to Hawaii's natural assets. We know that laws govern the people of our State and determine many of the policies there. But we are concerned at this time that we have limited natural resources. One of the resources that we are very concerned about is what we call the "aloha spirit" which is engendered from this natural asset that Hawaii has.

So the concern is to try to keep this natural asset for others to enjoy, as well as the people of Hawaii. We are making every effort as a State to make this possible legally and constitutionally, so that we can keep this kind of quality of life not only for us today but for our children in the future; not only for Hawaii, but for the United States.

Hawaii is a beautiful place, but it is limited, in its natural assets. Our efforts are toward preserving these resources. We know that we need progress. Yet, we are trying to bring about progress within the scope of retaining the assets that are so important to the good quality of life of Hawaii.

I thank Mrs. Anderson for coming. I feel that the bottom line of her testimony here is to make every attempt to find ways and means of keeping our natural assets so that our population density will not endanger them.

We would like for Hawaii to be known as a place where everybody is welcome. In no way are we saying that we want to keep people out. But we want to find a way to preserve the Hawaii that has attracted so many people in the past—the Hawaii that possessed the philosophy and resources so vital to its high quality of life.

This is our effort. If you can help us with your testimony in this respect, we would certainly be grateful.

I thank Mrs. Anderson for her statement. I am going to ask that we move on and call on Dr. Tweeten for his testimony.

STATEMENT OF DR. LUTHER TWEETEN, PROFESSOR OF AGRICULTURAL ECONOMICS, OKLAHOMA STATE UNIVERSITY

[Prepared Statement in Appendix on p. 397.]

Dr. **Tweeten**. Thank you, Mr. Chairman. I appreciated that eloquent statement about Hawaii. I will probably be moving there as soon as I can.

Mr. **Akaka**. You are welcome.

Dr. **Tweeten**. That is if you don't have quotas by that time.

As you perhaps heard in testimony earlier in the week, this Nation is undergoing a major demographic transition characterized by a movement of people from the Frostbelt to the Sunbelt and from metropolitan counties to micropolitan—nonmetropolitan—counties.

Mr. **Scheuer**. What was that word?

Dr. **Tweeten**. Micropolitan. Many would use the word "rural," but rural is ordinarily associated with very small places. To distinguish metropolitan from everything else, I use the term "micropolitan."

Mr. **Scheuer**. "Polis," the root of that word, means city.

Dr. **Tweeten**. Polis means city and micro means small, so we are talking about small cities.

Mr. **Scheuer**. You are not really talking about rural areas?

Dr. **Tweeten**. Metro means mother, so metropolis means mother city, which is poorly named in my view; it should be macropolitan. I can't change that, but I can change rural.

Mr. **Scheuer**. You are talking about small cities?

Dr. **Tweeten**. That is right, small cities and open country. Basically, cities of 50,000 or less plus open country.

Micropolitan counties from 1970 to 1976 grew 8 percent compared to a growth rate of 4.7 percent in metropolitan counties. This growth was very broad based; micropolitan counties not adjacent to metropolitan counties grew at a rate of 7.3 percent.

The growth was also broad based geographicaly. Only the Great Plains of the major regions of this country did not share in that micropolitan growth. This represents a great turnaround. It represents a different way of thinking about problems.

For many years rural people have been concerned about the great exodus of people to the city. We had a gross outmigration from rural areas of nearly 100 million people since 1930, perhaps the greatest migration of all time.

If the value of the property tax and other local investments attributed to these people is $10,000 per person, a trillion dollars of capital moved from rural areas to cities. That is a gross movement. Much of it was compensated by at least two-thirds of the people moving back. But now we are getting a turnaround.

I will discuss some of those problems today as briefly as I can. First, I would like to examine the Federal response to problems in micropolitan counties.

You will note in my written testimony that Federal outlays per capita have been substantially larger in metropolitan counties than in micropolitan counties. That difference is notable in the largest single component, human resource development. Yet, if we look at measures of need—median family income, poverty, dependency rate, median schooling completed, labor force participation, unemployment rate, underemployment rate—a case can be made for greater Federal outlays per capita in micropolitan counties than in metropolitan counties.

What should be the Federal response to the problems that all areas face?

The problems of growth should not distract us from the very serious problems of low income and underemployment that characterize vast reaches of rural areas. First priority should be given to dealing with low incomes and underemployment rather than growth. Specifically, I propose a national growth policy.

No. 1: Expand the economic base in areas characterized by high rates of underemployment; No. 2: Use established substate, multicounty districts with high underemployment as the administrative unit.

The advantage of the multicounty district is that it contains the sense of community as a trade center, planning expertise, local involvement, and economic vitality not found in each high underemployment county, and other advantages required in a focal point for development. Start with a few multicounty districts with high underemployment and provide the critical mass of resources required for a takeoff to sustained growth.

As Federal funds become available, add more districts and phase out old districts after perhaps 10 years of funding. If they are not showing signs of economic vitality by that time, it is time to move on to other districts.

Mr. SCHEUER. Will the witness yield?

Dr. TWEETEN. Yes.

Mr. SCHEUER. What kinds of economic activity should the Federal Government be stimulating in rural and small-city areas?

Dr. **Tweeten**. One economic activity that is growing very rapidly is manufacturing. In the 1960 to 1970 period, about one-half the job growth in micropolitan areas was in manufacturing. Now it has switched to a greater percent from service, trade, finance, these types of industries.

I would leave considerable discretion to private industry in deciding what kind of job growth is feasible. I would provide some minor inducements to private industry to locate in areas of high underemployment. I say minor because they should not only be designed to correct for what economists call externalities, a difference between the private and social cost of development.

In many of the metropolitan areas, industries have not paid the full social cost of their locating there because the costs of pollution and congestion do not show up in the private accounts of firms. One can make the opposite case for many rural areas. Industries have been required to pay more than the social cost of locating there, because they are forced to pay a union wage or whatever, that exceeds the rate at which people would be delighted to work and supply their labor. Very little output in the Nation is foregone by employing underemployed labor.

Efficiency is enhanced by correcting distorted incentives, greater equity in the system is also generated. Federal inducements can correct incentives.

Mr. **Scheuer**. What kind of inducements?

Dr. **Tweeten**. Well, it might be a tax writeoff to industry.

The second part of the inducement could be some kind of wage supplement. Essentially what it means is that the Federal Government stands to pay about 50 percent of the difference between a target wage of, say, $4 an hour and whatever the worker can get. If he can get $2 an hour and the target is $4, the Federal Government pays half the difference between, or $1 an hour; that is the supplement to his wage. It is a type of income maintenance program. It also encourages the utilization of underemployed labor wherever it occurs.

I want to digress a little bit here to say that micropolitan areas ask no special privileges from a national growth policy. We are willing to use criteria such as underemployment and apply them across the board. We think micropolitan areas will come out all right if treated fairly.

Mr. **Scheuer**. When looking at the problems of big cities one point that repeatedly comes up is that it would be advantageous to slow the rural-urban migration. This is, of course, a phenomenon that is taking place all over the world.

Dr. **Tweeten**. Exactly.

Mr. **Scheuer**. Internationally as well as nationally, governments are wrestling with the problem of how to improve the quality of life in small city and rural areas.

Dr. **Tweeten**. Yes, but——

Mr. **Scheuer**. So that people will not be attracted by the glamour and the excitement of moving to the big city where there are no jobs and where life is very hard and very disappointing for them when they get there. However, they come to the cities and tend to stay there. There may be something we ought to do to improve the attractiveness of living in rural areas and small cities apart from just wage and employment programs—to give a quality-of-life stimulus to these areas, to slow down the rural-urban migration.

Dr. **Tweeten**. As you are probably aware, Congressman Scheuer, the policies over the years show a rather strong disenchantment with a large city and the preference for living in the rural areas. In fact, the population of rural areas would double if people would act on their preferences. Now it is also very clear why they do not act, because they cannot get a job. The availability of employment opportunities is the key.

Furthermore, I want to say to you that this demographic transition that I talked about earlier characterizes virtually every Western nation. We should not be so concerned now about the movement of rural people to the city. We had better start getting concerned about the other kind of move.

Mr. **Scheuer**. Which other kind of move?

Dr. **Tweeten**. The movement of city people to rural areas.

Mr. **Scheuer**. Where there are no jobs?

Dr. **Tweeten**. Rural areas have had a massive inmovement of city people.

Mr. **Scheuer**. What is the profile of people who are moving there?

Dr. **Tweeten**. They are better educated, they are younger, they have higher income, they have higher leadership capabilities than the people who are already there. That indicates that the problems of growth are "happy" problems in that there is a growth dividend. There is the fiscal base out of higher incomes, and there is leadership capability.

The Federal Government need not pour a lot of money into the problems of growth. The Federal input can take the form, largely, of an expansion in extension activities of the type we know so well in agriculture, the Cooperative Extension Service, which is very active in rural development as well as agriculture.

Second is planning activities. Rural communities by and large have the leadership and the fiscal base to their problems of growth. They need some help from outside in terms of being able to organize, coordinate, and plan their activities.

Mr. **Scheuer**. When you talk about middle-class, well-educated people with good incomes moving from metropolitan areas to small cities or rural areas, are you talking about a move from a city to Appalachia or about a move from Manhattan to Bronx Borough.

Dr. **Tweeten**. As I mentioned earlier, the movement of people is broad based geographically.

Mr. **Scheuer**. Are you talking about these people moving from the central city to somewhere in suburbia?

Dr. **Tweeten**. I suspect they move from central city to suburbia and the people from suburbia move to a town surrounding suburbia and those people in turn move a short distance. In other words, by and large people do not move long distances. An exception to that is the American black who skipped the intermediate cities and has gone to the big cities, the Detroits, New Yorks, and Los Angeleses. The whites tend to move to intermediate size cities.

I am sure the same thing is occurring in the current demographic transition. There is not a movement that leap-frogs communities in between, but a movement from one county to another in fairly close proximity.

As I proceed, I may digress from my written statement.

Mr. **Scheuer**. It does not make any difference.

Dr. **Tweeten**. That is fine, I appreciate your questions.

Mr. **Scheuer**. We think it is more interesting to keep these hearings informal.

Yesterday we were told that in the face of these various powerful migratory trends, Government cannot do much to reverse them. We were told that cities should not be standing there like Canute trying to hold back the tides. But Federal programs can help our cities age gracefully—that is the phrase that was used—can slow down the process a bit, can take some of the sharp edges of pain and suffering out of the process, and help the cities accommodate to the inevitable. Federal programs should not attempt to reverse what are essentially irreversible trends.

Dr. **Tweeten**. I agree fully with that. I do not think there can be massive intervention. Some things can be done. I think it is very important, as I mentioned earlier, to let people pay the full costs of their services wherever they go to live.

Mr. **Scheuer**. Would that work in the case of rural-urban migration where low-income people come into the cities? It is almost impossible for low-income people to pay even a fraction of the costs of services.

Dr. **Tweeten**. I am talking about community services, not including welfare. Welfare tends to be provided mostly by the State and by the Federal Government. I am talking strictly about community services.

The Federal Government provides direct and indirect assistance to infrastructure that has a major impact on locational patterns. An example of indirect assistance is the deduction on Federal income tax for real estate interest, capital gains, business expenses, and property taxes.

I could go on with those kinds of inducements to where people live. Direct Federal assistance to rural areas includes grants and concessional loans for water, sewer, electric, telephone, police, fire protection, and other services to residents and communities.

Few Americans would begrudge these concessions to bona fide farmers and other rural residents with low incomes, but the programs for the most part make no distinction for ability to pay. The programs encourage sprawl, high costs of services to low-density settlement patterns, unsightly development, and excessive energy use, such as gasoline for commuting. In other words, we are subsidizing sprawl in rural areas; at least the Federal Government could stop that.

It is my opinion people should have considerable discretion to locate where they choose, but they ought to pay the full cost of where they locate, and they are not doing that. The public is providing mail, school bus, and many other services.

Mr. **Scheuer**. We will give you a chance to go on after we get this rollcall vote.

[Recess.]

Mr. **Akaka**. The hearing will resume. I will ask Dr. Tweeten to conclude his remarks.

Dr. **TWEETEN**. Well, in the interest of time and with your approval, I will yield to the next witness.

Mr. **AKAKA**. Have you completed your statement?

Dr. **TWEETEN**. Yes.

Mr. **AKAKA**. All right. Let me call on Dr. RuBino for his testimony.

STATEMENT OF DR. RICHARD RuBINO, ASSOCIATE PROFESSOR OF URBAN AND REGIONAL PLANNING, FLORIDA STATE UNIVERSITY

[Prepared Statement in Appendix on p. 415.]

Dr. **RuBINO**. Thank you, Mr. Chairman.

Florida is a growth State. I want to discuss briefly some of the efforts that recently have been undertaken in Florida to attempt to manage better the growth which the State has been experiencing.

It is interesting, but I note some ties with the State of Hawaii. Florida is not an island State but it certainly is a peninsula State. That makes both of those States a little bit different than the remainder of the country.

I also recognize some tie with the problems expressed with regard to New York City. As has been pointed out, New York City has a large population that is not wage earning. Florida has the same type of a problem, although of a somewhat different ilk. We, too, have a large percentage of nonwage earners, but the large number of most of these are retirees who have immigrated.

Florida's rapid rate of growth has been taxing on the natural resources of the State and on the abilities of the local governments to provide the services which are being demanded by the increasing population. It is not just a problem of the rate of growth, but again like Hawaii, it is particularly a problem of the distribution of that growth.

Most of the growth is occurring in areas which are least tolerant to development, and which can least sustain development, causing problems particularly in the peninsula part of Florida. These problems include salt water intrusion, depletion of water tables, water rationing, intergovernmental battles over water rights, and other similar issues. There is a slower rate of growth in north Florida, where the land is more tolerant to development.

Much of Florida's growth in recent years has been uncoordinated and entirely uncontrolled. The attitude was that it was good to grow. One problem resulting from this is that residential development (the principal type of development in Florida) has outpaced the abilities of the local governments to provide roads, sewage systems, adequate fire and police protection, and other kinds of support services. In other words, the cost of providing facilities and services has been rising more rapidly than the ability of those local governments to generate tax revenues. To appreciate this circumstance, you must recognize that Florida's economic base is almost totally dependent on tourism, agriculture, and retirees.

The problems of rapid, uncoordinated, uncontrolled growth were recognized throughout the 1960's, but unfortunately it took a crisis situation in 1970–71 to cause any really significant action to be taken. The crisis situation that I am referring to is the major droughts that south and central Florida experienced in the summers of 1970 and 1971. As a result of this crisis a great deal of newspaper coverage of development problems in general was generated. Further, political interest began to be generated, and the result was State action.

In 1972, a growth-management package of proposals was introduced to the legislature. Many of these proposals were generated by the Governor, but a number of proposals were also instituted by the State legislators. Some major elements of the package were passed in 1972, and other elements were passed in later years. Some, of course, were never enacted.

The important thing to recognize, and what I want to stress most, was that the people who were involved in developing this growth-management package felt that, because of the broad spectrum of problems, a broad combination of State, regional, and local government growth-management actions was extremely necessary; not just singular action by any one level of government, but all levels of government working in concert.

To illustrate this intergovernmental effort, I will go over some of the more important actions of 1972 and subsequent years.

One of the basic pieces often referred to is the Florida Environmental Land and Water Management Act—passed in 1972—which consisted of two major sections. One section dealt with "critical areas," that is, areas designated by the State as being critical to State concern. They may be environmental areas, they may be archeological areas or any number of other types of areas of statewide significance. If the State designates a critical area it then must set guidelines for local land use management. The State only designates and sets guidelines; the land management regulations are implemented by the local governments.

Three such areas have been designated since 1972. The first was designated by a special act of the legislature: the Big Cypress Swamp—between Miami and Ft. Myers. It encompasses about 1.5 million acres.

The second area named was the Green Swamp—in central Florida. This is an area of 320,000 acres, determined to be extremely important to the continued and adequate flow of water throughout much of central and also southern Florida.

The Florida Keys was the third area designated. A Division of State Planning report describes the Florida Keys as a 130-mile long linear city. In the Keys, the problem was more than environmental. There was the additional problem of the ability of that linear city to provide the kinds of public services that it needed or that were being demanded of it.

Recently, the whole movement to designate critical areas in the State of Florida has stalled somewhat. I think this is primarily because of the legal and political problems caused by litigation. Some of the litigation has been found to be in support of the act, but the critical areas section is presently before the Supreme Court of the State of Florida on the constitutional question of whether the legislature has improperly delegated power of the legislature by failing to provide adequate standards for the exercise of that power. In other words, the legislatively delegated power of the Governor and Cabinet to designate critical areas and to adopt the guidelines and standards for the land management of those areas is being questioned.

A second section of the Environmental Land and Water Management Act deals with developments of regional impact—DRI's. The State may establish guidelines and standards in determining whether certain kinds of developments are presumed to have regional impact. If they are so presumed, then a certain procedure or process of intergovernmental review is to take effect. Basically, developers of proposed DRI's must submit applications for development approval to local governments. There applications are then submitted to the regional planning agency and the division of State planning for their review and comments. Further, local governments are required to set up DRI public hearings for all interested parties. In effect, due process has been expanded beyond the border of a single municipality. Lastly, appeals may be taken on a local government decision regarding a DRI, and the State adjudicatory board—that is, the Governor and the cabinet—may overrule a local government decision. DRI activity has declined measurably since it was first instituted 4½ years ago. In the first year, I believe 143 DRI's were submitted. In the first half of this present year, only 11 have been submitted. Part of that is due to a decrease in development activity, particularly residential development activity in Florida, but I think the major portion of the decrease is due to developers subdividing their developments so that they fail to qualify as DRI's. In other words there is some evidence that developers are bypassing this particular review procedure.

A second major element of the 1972 package of growth management bills was the Water Resources Planning Act of 1972. This Act enables the State to set a State water use plan, require permits for the consumptive uses of water, and provide for the regulation of wells and management of all surface waters, primarily through the water management districts. This act has not been as well coordinated, as had been hoped, with the other acts that were passed at the same time. But because of the type of powers which this act authorizes, it probably will continue to be one of the better and more sustaining growth control mechanisms.

In 1974, the legislature took a very venturesome step and passed a growth policy resolution. It had been hoped that the resolution would help guide the decisions of different committees during the legislative session, but it was not passed until the final days of the session. It was never used during that 1974 session and, because of the change of legislative leadership, has not been used since that date.

Although the State of Florida has failed to strengthen the role of regional planning to the degree some people feel is necessary to execute growth management, it did strengthen a weak link in the intergovernmental effort through passage of the Local Government Comprehensive Planning Act of 1975. In this act, the legislature declared it mandatory that by July 1979 all local governments—600-plus of them—must have prepared completed comprehensive plans. These plans must then be adopted, and their land-use regulations must follow the adopted plan.

Almost all the local governments are involved in preparing their plans, but despite this activity, I am concerned over the lack of sufficient money to properly support this activity. Some local governments are preparing their plans on one more than $5,000; no State or Federal financial assistance is available to them. Now this is admirable in one way, but what is happening is that this minimal financing is resulting in inadequate planning. Much of the work is being attempted by people who have minimal or no experience in growth management. There is a growing concern on the part of many people regarding the probability that many of the plans that are being developed will be completed by the deadline required, but they will likely be of very poor quality. A poorly prepared plan could potentially be more detrimental that no plan at all, especially since land management regulations by law must be consistent with the plan.

One of the greatest benefits of the increased State activity is that local governments have become more aware of the consequences of growth and are initiating independent actions. We are finding more and more instances where communities are initiating land management actions on their own. I think if the State had not been involved, most of the local governments would not be taking these actions on their own.

The DRI concept I spoke about has been instituted on an intracounty level. In addition, Broward County has assumed a strong government role in mandating that the municipal plans within the county must reflect the guidelines and standards of the county land use-plan. This strong county role is possible because of the home rules provisions provided by the Florida Legislature.

I am pleased to see strong county action because it fills a vital gap in the coordination of growth management programs, a gap which our legislature has not allowed regional agencies to fill. I feel that the county governments are in an excellent position to coordinate local growth management programs, perhaps even in a better position than the regional agencies might have been. Stronger county governments are an unrecognized key to more effective growth management.

I do not know if this is really a Federal problem, but unfortunately most States are reluctant to facilitate a rejuvenation of county governments. Federal incentives over the past decade and a half, have stressed regionalism a great deal, but weak regionalism does not seem to be the answer for growth management.

I wonder if on the other hand Federal incentives might be redirected a bit to stress county activities as they have been stressing regional activities. I know this would help out a great deal in terms of growth management activities.

Mr. Scheuer. Dr. Tweeten just emphasized that it should be multicounty planning and talked about achieving a critical mass with multicounty planning. He indicated there is not the talent, expertise, and experience within counties. After all, we have more than 3,000 counties in the United States.

Now you are going off in a different direction.

Dr. RuBino. I have long been an advocate of regional efforts, but I have been a very frustrated supporter because most regional bodies just don't have the necessary implementative authority to carry through the types of programs that they are being asked to handle.

The next largest unit of government that I can find that come anywhere close to carrying out growth management responsibilities are county governments. I have begun to see some evidence that counties are beginning to move in this direction, and I would like to see this movement furthered; I am just about to give up on regions being capable of doing much of anything substantial except in special purpose programs.

A second concern of mine, and I believe some Federal involvement may help here, is that growth management is a broadly based activity, and I feel that State government activity in growth management is on the decline. This holds true for most States across the country.

I go back to my point that if it was not for the incentive provided by State government action in Florida, I don't feel that places like Broward County would have come up with such innovative programs. I am fearful that the States may step back out of the growth management picture completely. I know that this is a growing attitude on the part of the legislature in the State of Florida. The legislature recently seems to have developed an attitude that the lesser the State involvement in growth management, the better.

For example, the whole coastal zone management program activity was received very sourly by the Florida Legislature this year. The program proposed a relatively strong State role, somewhat akin to the critical areas program in Florida, but instead the legislature cut the program back in terms of financing and required a disavowal of all previous studies.

There is no activity in critical areas, and decreased activity on a number of other fronts indicates a slowdown in terms of State growth management activity in Florida. I think this is found throughout the country as well. This concerns me. I don't think the Nation can afford to have the States ignore their responsibilities in growth management. Again, I stress the need for strong intergovernmental effort: the States have a vital role to play. I think States do need to be prodded to get back into the picture. I think that, then, is a Federal responsibility.

Thank you.

Mr. AKAKA. Thank you very much, Dr. RuBino.

May I proceed and ask Dr. Alonso to deliver his testimony?

STATEMENT OF DR. WILLIAM ALONSO, DIRECTOR, CENTER FOR POPULATION STUDIES, HARVARD UNIVERSITY

[Prepared Statement in Appendix on p. 446.]

Dr. ALONSO. Let me speak generally about some of the principal directions of population redistribution. Some of them have already been mentioned today. One is the growth of the Sunbelt and especially the metropolitan areas in that region.

Now this is not a new pattern. It has existed since the turn of the century. The growth of these areas has been a little bit faster recently, but I think it stands out because the birth rate has dropped so much that some portions of the country are now losing population, so you notice more the ones that are growing.

It seems to have two parts. In the Mountain and Pacific States it is interregional migration. In the traditional South it is more the return to national parity with rapid urbanization and, in the last few years, with the end of the massive outmigrations. For the first time, it appears that the South has a net inmigration of blacks with respect to the North.

The second part is the phenomenon referred to by Dr. Tweeten which is the reversal of migration from metropolitan to nonmetropolitan areas. Net growth of nonmetropolitan areas is running about 600,000 per year. That is a lot of people.

Now much of this, I would say about half, is in effect suburbanization, going beyond the boundaries of SMSA's—standard metropolitan statistical areas. But there are several other reasons which are strong. One is the location of manufacturing which has been leaving the large urban areas and going to small cities, rural areas, and beyond that to Taiwan, Korea, and the like. Of course, total production jobs and manufacturing have not increased since the Second World War, so all that relocation of manufacturing industry is doing is shifting jobs around. This shift out of metropolitan areas accounts in large measure for their teenage unemployment.

Other factors generating growth in nonmetropolitan areas are the surge of mining and the resource-related investment and activity, and the rising number of older people who have incomes not geographically based, for example, retired with social security. Many of these retirees choose to go to places like Florida that specialize in retirement or to the rural places from which they came 40 years before.

There is also a small component in there of the growth of State governments, many of which are in nonmetropolitan cities, and the growth of universities. Now there is definitely not in statistical terms a return to the land. The farm population is declining very fast. The image of people going back to work the soil is not statistically true. It is something that has happened since Thoreau, if you will; some people do it.

Let me amplify a little bit on Dr. Tweeten's remarks on this. The composition of the migratory flows is such that the people moving into nonmetropolitan areas are younger, are more educated, and have higher income than the people who are now in nonmetropolitan areas. But this group is older, is less educated, and has lower incomes than those people moving from the nonmetropolitan areas. You have 2½ million people going one way and 2 million going the other way. In qualitative terms there is still an advantage for metropolitan areas.

The third major continuing development is suburbanization. It is continuing. It has become more complex. As I mentioned, it spilled beyond the SMSA boundaries.

Obviously throughout the 1950's and 1960's you had homes, shops, industry, business services, et cetera, moving out to the suburban areas, and now people can go further.

Mr. **Scheuer**. Do you think the Federal Government should offer major incentives for plants and new businesses to locate or relocate in areas of great unemployment?

Dr. **Alonso**. Well, we have had 15 years of EDA (Economic Development Administration) which does something like that. Agriculture has some comparable plans. I think that, yes, there should be programs of that sort, but they have not been very successful.

Mr. **Scheuer**. Is it possible to affect these basic decisional processes by some kind of subsidy? Isn't this essentially what the witnesses discussed yesterday when they told us not to try to reverse what are basically irreversible trends? They told us to make the transition of the major cities to a smaller population, smaller economic base, a little less painful. You can try to slow them down, but you can't reverse them, and probably it would be a bad allocation of resources to try. Would any of you care to comment?

Dr. **Tweeten**. I might remark on this. The principal forces that have determined this demographic turn-around have been markets and technology and not government programs.

Mr. **Scheuer**. Have Government programs been powerful enough to counter the trends that you point out?

Dr. **Tweeten**. By no means. It is not because they have been cost ineffective. One must be very careful to separate cost ineffectiveness from the amount of funding of the programs. They have not been effective because we have put very little money into them.

On the other hand, what we have put in has been very effective. There have been a number of studies, and we have done some of them at Oklahoma State, of the cost per job generated through these Government programs. A fairly characteristic figure is that it cost $10,000 to create a permanent job in rural areas.

On the other hand, public service employment costs about $14,000 a year. So it is vastly more cost effective to generate a job through inducement to private industry than by public service employment.

Dr. **Alonso**. If I may amplify on that, there have been a lot of programs. As you know, the main U.S. strategy has been to put investment in public facilities as a lead to the development of private industry. The results have been mixed. In other countries that have tried this in other variants, such as location permits for industries and direct subsidies for wages, there have been mixed results.

I think the curious thing is that over the last several years when there have been many people suggesting that the United States should move into a balanced growth policy or something like that, the examples of France, Britain and so on have been continually brought up. The reversal of this migration has occurred in countries that had that kind of program and countries that did not just the same.

There are lots of local successes, there are lots of local errors. I suspect that, for instance, the direct program such as EDA, some of the HUD programs, et cetera, are rather small compared to larger efforts. Surely the fact that we have had about 30 years of wars in Asia has had a lot to do with the development of the Western part of the country.

Let me go rather quickly over the last three of the six major developments and then offer some suggestions.

The fourth is that, at a level which has not yet been quantified, there seems to be an influx of young, middle class white, mostly childless couples into many of the central cities of large metropolitan areas. I will return to this in a moment.

The fifth is that natural increase in population has dropped so much that the majority of the people who live in metropolitan areas now live in metropolitan areas which are losing population growth. That is, it is more common to live in a metropolitan area which is losing population—central city and suburbs—than to live in one that is growing. We have not had that before.

The sixth is the big unknown of international migration. You can take some estimates of the legal migration with illegal migration, and it is about the same as natural increase. It is more concentrated geographically; the Southwest has Mexican Americans, portions of the West have Orientals, and New York has its own mix. For obvious reasons and because the subject is very sensitive, there is very little information on this.

The Department of Justice, which oversees this, has not been particularly interested in the internal destination of migrants.

You can compare this situation with that of 10 years ago, when there was a lot of concern both on the Democratic and Republican side about (a) the depopulation of the countryside and (b) the concentration of the people in the "human ant hills." We had new town legislation, more EDA, and more rural development.

Now it is turned around, and we are worried in the other direction. It seems to me a lot of that discussion was based on a statistic which was very round and was used a lot. The statistic cited was that by the year 2000 there will be 100 million more Americans, where shall they live? That is the way it was usually put. Obviously, there is not going to be anywhere near that number.

Mr. SCHEUER. I don't think it is obvious at all.

Dr. ALONSO. Well, we have to start reproducing awfully fast.

Mr. SCHEUER. No; we don't. All we have to do is continue a policy of repealing the immigration laws.

Dr. ALONSO. Well, if immigration opens up, yes.

Mr. SCHEUER. It already has. We don't know how many illegal immigrants are coming into this country every year. Incidentally, we don't know whether it is good or bad either.

Dr. ALONSO. That is right, I agree.

Mr. SCHEUER. Let's take the case of Mexico as an example. There are now maybe 75 million Mexicans on the North American Continent, about 63 or 64 million of them in Mexico and an unknown number in the United States. The estimates range from 2 to 14 million. The Mexican population is supposed to double by the year 2000 to about 125 million.

You know there is not enough land, water, or other resources in Mexico to support anything like an increase from 63 to 125 million, and most of those people are going to end up in the United States. The population doubling could continue, according to Government estimates, so that by the year 2025 there could be about 255 million Mexicans on the North American Continent.

Unless something new and different happens in Mexico, in terms of family planning services and a vast increase in their resource space and employment opportunities, it is quite possible that there could be 25 or 50 million Mexicans here in addition to our projected domestic population growth.

The same thing is probably true, maybe to a lesser extent, of our illegal immigration from the Caribbean and Asia. As Mrs. Anderson pointed out, immigrants from Hong Kong, Taipei, Korea, the mainland of China, and the Philippines are getting through Hawaii and into the mainland of the United States. I don't think it is at all outside the realm of possibility that we will reach the population figures that you discussed.

Dr. **Alonso**. It is conceivable, yes.

Mr. **Scheuer**. Certainly that is one of the population facts of life that we should be looking at, along with internal migration, which is the subject of this hearing.

Dr. **Alonso**. Right. I think that the question of Mexican-United States relations in terms of population development is one that only now has begun to be tackled. If you believe some of the numbers, 20 percent of the Mexican labor force is employed in the United States. Now that is a lot of people.

Mr. **Scheuer**. According to the Commissioner of the Immigration and Naturalization Service, the number of Mexicans working in the United States, mostly illegally, is 10 times what the Bracero program was at its height 10 years ago.

Dr. **Alonso**. I think you are quite right. As you know, the Mexican rate of population growth has dropped a bit. The other day I had occasion to figure out if the Mexican population dropped just to replacement today, it would grow by over 40 percent by the end of the century, simply because of the age structure. They are going a mile a minute. Even with their 6- and 8-percent rate of economic development, they are going to have a tough time absorbing that.

But the point I was going to make is that, at least north of the Southwest, population decline is almost certain. A great many metropolitan areas now have a rate of natural increase of under one-tenth of 1 percent. A few of them have more deaths than births which we are not used to as a phenomenon of population. We don't know how the housing market works, how to disinvest in schools and services. All the academic and business thinking on these things has been for increasing, and we don't know how to handle decrease. This doesn't mean that decrease will be bad, but we should start thinking about it.

Then, too, it seems to me that the vast majority of the work of any quality on urban and regional development has been based on economic analysis and has been very thin on the population composition. If you look at the models done, there is a letter "L" for labor force or something about as simple. It seems to me that there is a very strong interaction between the growth of the service sector which employs mostly women, the labor force participation of women, the drop in the birth rate, the changing patterns of consumption, and the like.

There are other effects. For instance, a region that is growing, except for unusual ones like Florida that grow through the migration of old people, receives young people.

So a place like Wilkes-Barre in Pennsylvania is below Zero Population Growth now because young people have left, and not as many babies are born there. They may go to Denver and have the babies there. Not only do you have the migration, but you have an accelerated rate of natural increase in the population of Denver. This phenomenon has not really been examined.

A lot of the debate regarding growth control for those who are experiencing growth and don't like it, or the promotion of growth for those who would like to have more than they do, is between boosterism and sometimes self-righteous exclusion. The facts need to be much better considered.

But if one looks at the goal of balanced growth, like at the White House Conference, nobody has any operational idea of what balanced growth means. So that the policies have no real basis in spite of there being legislation which says that balanced growth is a national goal.

Growth or stability or decline are not good or bad; it is just what they do to particular people or institutions that is good or bad. The fact that there has been so little analysis of the population factor in these things has often led to rather mistaken policies. An example is trying to bring jobs into an area where most of the population is at an age where they would be unable to take on jobs.

Let me give you an illustration. In recent years there has been, primarily through State legislation rather than Federal, a lot of very well-intentioned attacks on redlining, because the banks were depriving poor and minority people in central cities of needed capital to keep up their housing stock. So we passed laws.

At the same time there was this baby boom generation that has very different housing and household patterns and that, for a number of reasons, is finding central cities more attractive to live in. Since they don't have kids—that overgeneralizes, it is fewer kids—they are not as concerned about the school situation. So the landlords, from whom most of the poor people rent, were holding pretty miserable investments, given the costs. Now here comes a group that can get financing and for which the income of all the members of the household, regardless of sex and marital status can be counted, so that they are able to buy out the tenants. Now this has good sides and bad sides to it for different people, but it shows how not paying attention to the population factors leads to policies that instead of helping the group that was intended, is in fact displacing it. They are being squeezed on the other side by the abandonment problem and a number of other things.

Similarly, the question of housing today is going to be affected both in central cities and in suburbs and in the rural areas by the empty nesters phenomenon. The very large proportion of the people in the 1950's had their kids, and they are staying in their big house. That is holding down a lot of housing starts.

What is going to happen to housing markets and urbanization is going to depend very much on what mechanisms there are to permit those people, if they wish, to get a more appropriate amount of housing.

There are many other examples. Let me just name them without discussing them.

In many rural areas where there is still a declining population, it is an aging population. In these areas, the on-the-road consumption of gasoline is extremely high and about twice what it is in the urban areas. In those situations, if gasoline goes up to $1 a gallon, it becomes a prohibitive cost for these people. It is going to have a very wrenching kind of effect. It is a very different situation in a growing area.

Similarly, in the design of formulae for Federal grants, for instance, how can decline be accounted for? Using the proportion of pre-1939 housing stock has been proposed. This is too simplistic, I think, in its approaches to growth and decline; not enough weight is given to composition.

Let me skip ahead to the last two points in my testimony which are recommendations.

The first is that it seems to me there is very little serious work being done to keep track of what is happening. Now it is important to understand that collecting geographically disaggregated population information is necessarily more costly than collecting aggregate information.

For instance, if you look at the current population survey results, they are based on a sample of 50,000, which is very good for a national survey. If you break that down to the county level, it would be 17 people on the average per county. Then if you want to divide by sex or race or another variable, you have nothing to go by. It is just more costly to get and to analyze detailed data.

I have not examined systematically who is doing what data production and analysis in the Federal Government, but I have some sense. Obviously the Department of Commerce is one of the principal producers, through the Bureau of the Census, the Bureau of Economic Analysis (BEA) and the Economic Development Administration. The Departments of Agriculture and Labor also produce some data but not as much as Commerce. HUD has produced relatively little. It is improving now but it has no track record of support of research in this area.

Mr. SCHEUER. Do you mean research in the area of the management of declining cities?

Dr. ALONSO. No, no, no, the overall geography of growth, decline, and the like. There really have been nuts and bolts in their research budget, and related things, and now they are trying to change but it takes a long time to change that bureaucracy and its style.

I should say HUD has tried some in the past few years, but not very effectively, because it has played such an important role in the President's biennial growth report. Every couple of years they pull themselves together and try to do a draft of a report. The Council of Economic Advisers and OMB have also done quite little in this.

If you look at Federal support for outside research, it is a very strange situation. The Economic Development Administration has probably been the best and most sustaining patron of research. If you look at the citations in the papers that your committee has been collecting, I would bet that at least one-half of them were sponsored by EDA at one point or another. But there is some uncertainty as to the level of research funding and administrative policy. Probably the largest current supporter is the National Institutes of Health. But of course they are based in an organization primarily interested in biological sciences and this gives a little bit of the idiosyncratic aspect to some of their procedures for funding research.

If you put together the programs of demography and of geography in the National Science Foundation, I think there is just a shade over $1 milion spent on a yearly basis, which is very, very little. NSF-RANN—the name has been changed—has had more money, but it has put it into more narrow and sometimes too ambitious projects.

So anyway, the point is simple; neither internally nor in support of outside work is the Federal Government meeting the needs. I think the Government is clearly needed for the administration of programs, for the determination of yearly allocation of grants, and so forth.

Now the other recommendation oversteps what I know about it, but it seems to me that right now the geography of growth and decline has become very popular in a sense. There is a Sun Belt, Frost Belt, the new regionalism, environmental protection, economic development topics, the decline of the cities, the geographic impact of energy policy, the impact and fairness of collections and disbursements of Federal money, the plights of farmers, and many other issues, that are really very much in the forefront.

At the same time, President Carter's proposal for an urban policy, among the long list of things it proposes, proposes that each agency submit an urban and community impact analysis for its major programs. It also proposes that an improved data and information system be developed under the leadership of the Secretary of Commerce, and that an interagency coordinating council be formed in order to reconcile some of the various viewpoints of the Departments.

At the same time, the reorganization project is going on. I have no idea what they will come up with, but presumably some reorganization of the sort of operational programs we have been talking about will be proposed. They are supposed to issue a report soon. So it seems to me that this is a time at which there is occasion to do something.

It seems to me that Congress should play more of a role than it has traditionally, because of the three branches of Government, Congress is the one branch that is organized geographically. Each representative represents a piece of—not the geography but—the people in the geographic unit; similarly, the Senators.

I think that as the reorganization of geographically targeted programs takes place, and as the mechanisms to see what may happen or what will happen, such as these impact analyses, are put in operation, Congress should find some way of dealing itself into this process more than has been the case in the past. Congress should do this precisely because it provides geographic representation.

So for what it is worth, first, there is the need for more information and for making it more accessible to Congress, to Federal agencies, and to State and local governments—the pipeline is even worse than the research.

Second, Congress, in some fashion, should find a more organized way of gaining an overview of the impact of Federal policies on the needs that they might address.

Thank you.

Mr. **Akaka**. Thank you, Dr. Alonso.

Let me ask you, in your 1973 article on urban zero population growth, you stated:

> "It is clear that all of these instruments aimed at keeping people out tend to keep out those of low income. In short, local population control policies are regressive."

Could you expand on that statement and are you still of that opinion?

Another question then. What is your opinion of the policies proposed to limit population growth in Hawaii? How about the Florida management of growth?

Dr. ALONSO. Yes. Well, I think there is conflict in the minds and in the hearts of many people who want to preserve their areas for environmental reasons or way-of-life reasons. They can make ordinances that will keep out not necessarily the poor but the middle class, but they will never keep out Mrs. Onassis if she chooses to buy in. So in that sense I think they are inevitably regressive.

A curious thing is that so many of the instruments that have been tried change the price relations or the cost. For instance, the most common technique for local growth management is large lot zoning. If you think about this, it is just crazy. Because if you are trying to conserve land and tell people they have to consume 10 acres per house, it is silly. If you want to conserve land, you should have a maximum lot zoning of whatever level so that people do not use up more land.

Similarly, in——

Mr. SCHEUER. Excuse me. What that does in effect is keep land open. If you say you have to have 10 acres per dwelling unit, it makes it extremely expensive to develop anything, and it is either left undeveloped or they build a house with 10 acres remaining open.

Dr. ALONSO. That is right.

Mr. SCHEUER. So I think in effect it does achieve its purpose. Now the purpose may be good, bad, or indifferent, but it does achieve its purpose. These kinds of zoning regulations have kept the poor out of affluent suburban areas. That was their purpose and I think they succeeded.

Dr. ALONSO. That is right.

Mr. SCHEUER. The morality and consequences of that is another matter.

Dr. ALONSO. No; they do succeed and sometimes you even get other things. For instance, many of the people involved in environmental concerns are—labels change—but liberals in some sense, so they say that developers may come and build but they must provide 30 percent low-income housing. That is transparent; what that means is that nobody can build, because it becomes a losing proposition. So you salve your conscience and at the same time keep the land open.

I do not know the range of current considerations in Hawaii. I know that the issue is open. I have heard concerns about the constitutionality. I am sure there must be references to the attempts in California in the 1930's to keep the Okies out.

It seems to me that some of the proposals, such as the famous Petaluma one, or some of the others that in effect set a quantitative limit by saying we will allow you to build 500 units a year, inevitably you create a market for that permit. That permit is worth something. Depending on how it is set up, somebody is realizing a scarcity value on it.

Not in this country, but in Djakarta, they decided to handle the matter simply; you need a permit to live in Djakarta. What happens is that there is a price on permits now; you pay the price to get it. Inevitably that has to be. Now who gets it and how, I do not know.

I think that there may be, for what it is worth, a change in the politics of the suburban growth control. Again I do not know at the State level. But if you look at the movement, it really built up in the late 1960's—early 1970's with the real rise in environmental concerns, but also with a very depressed housing market and with the baby boom household formation not yet coming on line. So you had a soft demand and it was easy to withhold supply. Now politically, let me make a caricature, the kids who were in college and all for saving the environment are now forming families and want homes.

Additionally, I think many of these suburbs did a fiscal impact study that showed that every house carried two kids, the kids cost $2,000 each, and with a maximum of $2,400 spent per house there was a fiscal loss. Somehow it is curious, if you look at study after study of this type, that nobody turned around to see what was happening to the school population. As a result, suburbs are closing schools, they have the problem of the semipermanent teaching staff, and it may be that the marginal cost of having a kid will come very near zero. Therefore the revenue will look very attractive.

For these reasons, I think that the suburban growth control game may be changing in the next few years, but I do not know quite how.

Mr. **Akaka**. I think the question here is really obvious from all of the testimony we have had today. But let me ask it anyway and see the kind of response we get from the panel.

Should States be allowed to limit the number of people moving in from other States?

Dr. Muller?

Dr. **Muller**. Let me try to respond to that.

Aside from a legal issue noted earlier, in terms of the social and economic factors it seems to me that such a policy would not be desirable. As was mentioned earlier, those who migrate from one region to another tend to have higher income and more education than the base population. I believe for this segment of the population it is perfectly reasonable that the total social costs of their relocation be taken into account.

In other words, what I am saying is that rather than prohibiting the movement of persons, which has both legal and moral implications, it may be more sound to determine what the net costs of movement are to both the recipient population and the area a person is leaving and find some mechanism to offset some of these costs.

For example, your own State, the State of Hawaii, is obviously a very esthetically attractive area. We find that some of the national movement into rural areas is due to people's preferences to live in an attractive environment. Migration for these persons is not for monetary gain; it is for the psychic benefit of living in a preferred environment.

It may well be, given the pressures which result, particularly in environmentally sensitive areas, that some mechanism might be found to offset that incremental cost as a means to stabilize migration, rather than by an absolute prohibition. It is the same concept we applied quite successfully in automobile production where we say to the producer, your cars have to average so many miles per gallon. You can build some large cars or only small cars, as long as you meet the average requirements. It seems to me a similar mechanism would be preferable to outright prohibition, aside from the legal questions involved.

Mr. **Akaka**. Dr. Alonso?

Dr. **Alonso**. Yes. Not at the State level but there has been a lot of writing and discussion recently of what is sometimes called urban disamenities.

Mr. **Scheuer**. Urban what?

Dr. **Alonso**. Urban disamenities.

Mr. **Scheuer**. We do not have simultaneous translations here.

Dr. **Alonso**. For the record, the argument goes this way: If you look at the incomes of different cities, different regions, they vary quite a bit one from another. The argument is that we live in a country that is fairly mature, where migration has been going on for a long time, so if the wages are higher here than there, if everything else were the same, you would get a migration that would increase the supply of labor, knock the wages down, and so forth.

So the argument goes, and I do not agree with it, but I think it is relevant to Mr. Akaka's question, that the differences in income reflect bribes that you have to pay people to put up with the local conditions. This really entered the literature very strongly. Paul Samuelson has now put it in his textbook so it becomes true—and you get very strange suggestions from this.

Let me say it has entered already into some governmental decisions. For instance, the evaluations for EPA, in many cases, are based on statistical techniques that are based on this concept. Mr. Nordhaus of the Council of Economic Advisers is one of the originators of the theory. I do not know if that may have an influence there, but what would follow from that, for instance, is that if you made New York a better place to live—say reduced crime, or improved pollution or something—the population would boom and wages would drop.

After you adjust for cost of living in these things, the Hawaiian solution, if one buys this argument—which I do not but which is the standard one among regional economists now—what would happen is that Hawaii would be a low-income State. I do not think this would happen, but I think this is the normal response. It would be through markets and wages that differences would exist.

Let me just say very briefly, there is a number of technical reasons why I do not accept the argument. There is a very simple one. After any adjustment for cost of living, the San Francisco area has a lot higher income than Fargo, N. Dak., and with all due respect I do not think people in San Francisco are being bribed not to migrate to other places. I think there are other things in the structure of the country that produce true inequality as opposed to apparent inequality.

But in brief then, I think much of the opinion would say that the adjustment is through wages.

Mr. **Scheuer**. Where does that leave us regarding policy formulation and program design for communities like New York City, New York State, and Hawaii, who really have borne the disproportionate burden of low-income immigrants who do not possess the requisite skills to be independent contributors to society?

Dr. **Tweeten**. Two principal areas are of concern. No. 1 is welfare costs. New York City has a stake in what happens to welfare costs in Mississippi, because if Mississippi does not pay an adequate welfare benefit, the people go to New York and are on the New York rolls. So this is a national problem, not just a State problem. That is one of the major costs associated with our social programs and migration.

The second issue is education. I mentioned before that education moves vast quantities of capital across State lines. For the most part that movement of capital has been uncompensated.

Mr. **Scheuer**. And how does that work?

Dr. **Tweeten**. The local area spends perhaps on the average $10,000 in educating somebody out of its own local resources. Then that person moves from New York to Oklahoma. It used to be the other way around. Oklahoma receives the benefit.

Mr. **Scheuer**. Or the area in Pennsylvania that Professor Alonso cited?

Dr. **Tweeten**. We receive the benefit because that person is generating taxes and is productive in Oklahoma, but Pennsylvania has paid the cost. That is not fair to Pennsylvania.

Mr. **Scheuer**. That is exactly what the Russians say about these educated scientists who want to emigrate.

Dr. **Tweeten**. Brain drain.

Mr. **Scheuer**. Before you go, you have to pay us 50,000 or 75,000 rubles or whatever; before you can emigrate, you have to pay us the cost of your education.

Dr. **Tweeten**. One of the approaches to this would be some kind of compensation according to the amount of out-migration or net migration. But a simpler approach would simply be to step up the Federal proportion of education that is funded.

Mr. **Scheuer**. Just as a matter of judgment, how far up would you push that Federal share?

Dr. **Tweeten**. It could go up to 30 percent from the current 10 percent, based on figures from our research.

Mr. **Scheuer**. Dr. RuBino?

Dr. **RuBino**. I certainly would never really care to see States limiting population movements because of legal and moral questions, but apart from my personal feelings, I am afraid that at some time in the near future we may be faced—that is, in certain States—with that particular sort of a question.

Hawaii may be one of the States that will have to confront this issue. As mobility increases, and people have a greater ability to go to places that they want to go, Hawaii included, there is the question of just how much population can a place sustain.

I will use water in central Florida as an example. If central Florida were to continue its present rate of growth, then it would not take long for the water requirements to surpass the water supplies available. This has already occurred in some areas like Pinellas County. Water would have to be obtained from places like north Florida, which is an area that would like to grow, or perhaps even from other States.

The situation is compounded when you think about island States or when you think about Key West. I do feel there are parts of the country that may have to come head-to-head with the issue of restricting growth in certain areas. I do not like the word "closing." I see the issue more as a question of some form of control, some form of guidance.

Mr. **Scheuer**. Of course it has been tried. The courts have upheld the so-called no-growth ordinances in Petaluma, Calif., and Boulder, Colo. It is a tough question.

From the point of view of the community, they want to keep the quality of life they have established. From another point of view, does limiting the population growth mean there will be an increasingly dual society where the poor and the minorities are forced to congregate in our cities while the well-to-do live in affluent, bucolic suburbia?

There may be some racist and elitist implications to this no-growth movement mixed with some of the very real concerns that Mrs. Anderson has described, where an island community like Hawaii wants to keep her open spaces, mountains, and beaches; there is a certain carrying capacity for an island like Hawaii.

You might even say for a city like Petaluma, where increased population—particularly low-income population which needs all kinds of facilities and services and produces a financial drain—would degrade the quality of life for people who are there. It is a very tough question. How do we weigh and balance these conflicting demands?

Dr. **Alonso**. I think that the question at the State level is particularly tough in a case like Hawaii or Florida. There is, however, I think a difference between Marin County and the State of Hawaii. Marin County is very much within a labor market area and is linked with commuting patterns and so on, so that their decisions affect very sharply the surrounding communities.

If you look around the San Francisco Bay area, you now have a war of exclusionary zoning. Marin County, Petaluma, Palo Alto, San Jose, Alameda, the whole bit, they have different techniques. What you have is a mercantilistic war.

Now it is easy to make a generalization as to what should happen. The community affected is not necessarily the municipal corporation but it is the metropolitan area, and there ought to be some bargaining processes set up somewhat like the Miami Valley, Dayton, Ohio, fair housing attempt to distribute low-income housing through negotiation or payments or the like.

I think if Marin wants to keep its beauty, and it is gorgeous, they should pay for it, not have the other people pay for it through lengthened travel, more pollution, and so on, which is in fact what they do.

Mr. **Scheuer**. How would you suggest that they pay for it?

Dr. **Alonso**. Well, let me take the case not of Marin, because I have not studied that in detail, but say Palo Alto. That is quite similar in many ways.

Palo Alto has jobs which pay taxes and which are just about equal to the population. About 90 percent of those jobs are filled by commuters from elsewhere. I did a calculation as to the additional millions of miles per week, per month, that are produced by that situation by in effect withholding some quite substantial amounts from the town so people have to live up the peninsula, down the peninsula, and across the bay.

Now Palo Alto is imposing those costs. There ought to be, to go with them, a sharing of Palo Alto tax revenues with a metropolitan fund or comparable adjustments for the costs being imposed on others.

But I think it is easier to see, with all of the difficulties involved, how these things work in metropolitan labor market areas. But when the relations are more diffused, how on earth can consideration of whatever Hawaii does, tell what it might do to Arkansas? You could not. You could not say, well, we will adjust this or that.

So it seems to me those are two different kinds of problems.

Dr. **Tweeten**. There is vast pressure in communities to preserve their local conditions. Most of the efforts to exclude residential development result in major windfall gains to current homeowners.

The Federal Government can stand squarely opposed to such measures. If the Federal Government does not take a stand opposing such measures, we are very likely to end up with two societies: one wealthy, excluding the disadvantaged, keeping their schools with the right kind of students that entail low costs of schooling relative to the tax base. The other society, kept out of these neighborhoods, will have inadequate schools, deteriorating neighborhoods, and other unfortunate circumstances such as lack of employment opportunities.

Mr. **Scheuer**. Mrs. Anderson, you emphasized that international immigration was the source of much of Hawaii's population pressure. If the United States were to end all international immigration, would Hawaii still have the problem of growth management? Would the migration of U.S. citizens from other parts of the United States in itself pose a problem for Hawaii?

Mrs. **Anderson**. Yes, sir, but it certainly would be very much less of a problem. I think our annual average net migration from both sources now is about 9,500 people. Of that amount, 7,000 are immigrants.

Mr. **Scheuer**. Are they legal immigrants?

Mrs. **Anderson**. They are legal immigrants. We don't think we have very much illegal immigration. We have pretty good control. We don't have a border. So we don't think we have much of that.

Mr. **Scheuer**. You don't have a land border.

Mrs. **Anderson**. No.

Mr. **Scheuer**. Is there an emerging concensus in Hawaii that they would like to see legal immigration into the United States from Asia reduced?

Mrs. **Anderson**. Yes, sir, I think there is a swelling of concern about that.

Mr. **Akaka**. Mrs. Anderson, let me ask you: In your planning for Hawaii, is the redistribution and relocation of the population a possibility? Does Hawaii have any plans for redirecting growth to the outer islands?

Mrs. **Anderson**. We had just developed a tourism plan for Hawaii which has not yet been adopted by the legislature. That tourism plan is designed to develop the major tourism destination areas and the emphasis will be on the neighbor islands. This is because the feeling is that the island of Oahu has just about reached its maximum, particularly the Waikiki area. We think the major tourism development will be on the neighbor islands.

We are trying not to let it sprawl in the neighbor islands, however. We want to keep it in an "enclave" development so that tourist concentrate in particular areas, areas which have already developed to some extent, but not let it sprawl over the neighboring islands, because we have a very special place in our hearts for our neighbor islands. It is a different kind of a lifestyle and we don't want second and third and fourth Waikikis on the neighbor islands because that will destroy them.

Another effort made by the administration is to develop small aquacultural parks on the neighbor islands so we can keep open space there, but to develop some employment opportunities, as small as they might be. Some of our industry that is going into aquaculture, for example, will be heavily concentrated on the neighbor islands in order to develop job opportunities out there, but still keep the lifestyle along the lines that we prefer.

Mr. **Akaka**. Dr. Muller, you have written about the per capita difference in public service expenditure between growing and declining areas and between small and large cities. Here are three questions:

What accounts for these differences, prices of labor and capital, or amounts of labor and capital used?

Do the differences reflect a difference in the amount or quality of services provided?

And how do you explain the increasing wage differentials for municipal workers between growing and declining cities?

Dr. **Muller**. Well, I will try to tackle those questions.

First of all, we do find quite consistently that large, high-density urban areas are more expensive in terms of providing similar public services such as police protection and street maintenance, compared to smaller communities.

This difference, by the way, is a historic one. If one goes back to 1922 or earlier, one will find that the cost of police protection in Boston and New York was the highest per capita cost in the country.

So we are dealing with an old phenomenon, although the differences in cost have increased.

One difference is that in the 1920's the public sector only accounted for a few percent of all personal income. When you have a small differential, say between 2 percent and 2¼ percent, it is unimportant. But when the public sector accounts for one-third of all income, the importance of those differences become magnified.

We find the two phenomena. The first is that the large, densely populated cities have higher costs for some of the services and compared to both smaller communities and growing areas. The other phenomenon we find is that there has been some convergence during the 1970's between the cost of public services between, let's say, Boston and New York, compared to Houston.

The reason is twofold. Rapidly growing areas have increased needs for public services. The cost differentials have recently narrowed because in the case of some of the northeastern cities, as a result of severe fiscal problems, wages for municipal employees have stabilized, and thus are approaching wages in other regions of the country.

There are two basic factors among cities which explain differences in the cost of public services. One reflects the wage differentials for municipal employees between large and small communities. In Hawaii, until 1969, teachers were one of the lowest paid groups in the State. This changed in recent years, but historically, wages were lower for municipal employees in Hawaii than in other States that kept the public sector under control. But wage differentials among areas remain. These are explaned, at least in part, by differences in the cost of living.

The second factor is that it appears to take more municipal workers per capita to provide a service in a large city than it does in a smaller one. That goes for Honolulu, Boston, Detroit. Things such as crime rates and fire incidents tend to be higher in large cities. We are not very efficient in managing the public sector. We seem to have inefficiencies in dealing with large numbers of public employees. Therefore, we find it takes more people to provide the same service in large cities compared to smaller jurisdictions.

Unfortunately, one of the problems is that when we have a decline, an interesting phenomenon occurs. While there is a decrease in school enrollment, the system does not adjust to decline very well; so what we have is still very high education costs because there is no proportionate reduction in the school budget even in constant dollars as enrollment declines.

We find that the fiscal response to a downward movement in demand is very slow. So we find, for example, in New York City the cost of education is up to about $2,400 per pupil. There has been a slight decline, only a marginal decline in enrollment, because of immigration to the city, but the costs have remained quite high.

Mr. **Scheuer**. Why should immigration to the city have reduced per capita cost?

Dr. **Muller**. I said it has not reduced it. If one looks at New York—I believe I have a table in my testimony—the city is somewhat unique. I have found only one other large city in the country where there is a drop in population without a parallel drop in school enrollment. This has not happened in New York City. It is one of the two large cities where this has not happened.

If one looks at other areas, including New York State, one will find that school enrollment drops more sharply than population loss. In New York City that has not happened.

I am suggesting that the reason for this is that either the total population is understated by the census or that the legal and illegal immigrants to the city do have large school age families that are now being reflected in school enrollment. This is the only way one can explain the phenomenon.

What I am saying is that in New York City the school population has been stable, despite a population decline, and costs have remained high. Costs are now rising in the suburban areas, but the tax base situation is such that the costs of providing for these services, relative to the ability to pay, is increasing. This is a point that Mr. Scheuer made earlier, that New York and a few other large cities have historically provided a broad spectrum of public services in comparison to other places. The costs were always high. This is not a new phenomena.

Many people believe that the problems of New York came overnight, that it was all due to poor management of the city. I am not suggesting that the city was well managed, but even with good management the problem could perhaps have been delayed for a year or so. But the fiscal crisis would have come because the cost of the broad spectrum of services provided relative to the ability to pay has increased. Once jobs were lost and the departure of the middle-income families accelerated, there was no way to make up for the difference between costs and revenue.

In the long run, in terms of public services, we find that the cities of about 50,000 people or so seem to be very efficient. They seem to deliver public services efficiently at a relatively reasonable cost. Thus, in the long run, the movement from central cities may indeed not have a negative effect.

The problem we are having is that outmigration is very selective. The people most financially able to leave cities depart. Others are either inhibited from moving because they cannot afford it or because they receive large transfer payments and thus have no incentives to leave.

What I am suggesting is that if people migrating would have similar characteristics to the base population, the problem could be handled relatively easily. The problem we now have is the selective movement. But if we exclude international immigration, natural growth in this country is down to about 0.6 percent a year. That represents the difference between births and deaths. Depending on what numbers one accepts, natural population increases will be down to zero in about 10 or 15 years.

Let us suppose it stays at 0.5 percent a year. Given the large land areas we have, we could well be able to accommodate such additional population with the exception of places like Hawaii. Generally, our population density is low, and we are able to accommodate growth and movement of population if we have net growth of 0.5 percent annually. It is the unanticipated growth that may take place which can produce the type of problems that are being discussed.

Mr. SCHEUER. Mrs. Anderson talked about anticipated growth. For 30 years there has been a movement of people away from Appalachia and away from the older cities of the East to the west coast. There is dramatic evidence of this.. New York City lost three congressional seats in 1972. We will lose a lot more in 1982. California gained four or five seats. This has been going on for 30 years, ever since the Okies started rapping at the State doors.

Mrs. Anderson is saying that these migration trends are a problem for Hawaii. People are smarter; and they know more about conditions in other areas. They are more mobile; and they are going to leave some of the places that they perceive to be rather unattractive in terms of environment or job opportunities, and a lot of them are going to opt for Hawaii.

So even though the population of the country is stable, that leaves Mrs. Anderson and Congressman Akaka with a real problem.

Dr. **Muller**. But if one looks at California, one finds out migration from Los Angeles and San Francisco into less populated areas like Orange County or the eastern part of San Diego County. Unfortunately, in the case of Hawaii, there is no "backyard", no hinterland. The ocean is really a barrier around the islands so there is really no place to move.

But within California and within New York State, certainly there are many places where people can live. I think the problem we have now is an imbalance between who is leaving and staying and the costs imposed by relocation. But in absolute terms, within the State of California, within the State of New York, there is ample room to relocate people if the proper economic incentives would be provided.

One of the problems we are having is that there is a disincentive for some households to move out of central cities and an incentive for others paying high taxes to move out. This imbalance is causing problems.

In the case of Hawaii, in particular, some areas in Florida, in the State of California and other States, indeed there is a serious problem. Legislative action, at least at the State level, will eventually be required to control the movement.

But in the aggregate, we need to be careful not to leave the impression that the entire country is full and people will not be able to move. I think that if we can maintain a population growth of about 0.5 percent a year, there is ample space.

We are not facing a situation of there being no place to go. Some of the land price increases have been artificial. We are not releasing land for development because we are worried about inflation and are using land as a hedge.

In the Washington, D.C., area, there is sufficient space for reasonable growth to take place in the outer counties over the next 10 to 20 years. The land is already zoned. I don't see a problem, as long as we can keep the growth rate small, of accommodating people within regions. I believe we have to worry about specific places such as Hawaii which have a natural limit on how many people can be absorbed and our old central cities which have a large dependent population remaining in the city.

In other words, the benefits of city services are accruing to those who leave. Dr. Tweeten mentioned New York City as an example. By providing free education at the elementary, secondary, and university level, the city paid for the education of people who moved out, those now producing goods and services, let's say, in Oklahoma or Texas. We have an outflow of people who have benefited from the process of providing services. I think this is where some of the problems arise.

Mr. **Akaka**. Dr. Tweeten?

Dr. **Tweeten**. First of all, I want to say that at Oklahoma State we have done a good deal of work on the cost of community services by size of place. We have corrected for quality, but have had trouble doing that for some services.

For example, we could simply find no way of reducing the crime rate in large cities to the same level as that in intermediate or small cities. Our statistics did not indicate that more policemen or other measures had much impact on reducing crime rates, so there was no way to produce the same quality of services in all sizes of cities.

However, we found that the lowest cost of providing community services was in communities of about 10,000 to 1 million—the cost curve is pretty flat over a broad range of city sizes.

There are two types of communities where we should probably not be encouraging growth. One is the open country and small towns, and the other is a city of over 1 million people. That is what that analysis tells us.

There are several correcting mechanisms that begin to work as population moves. That is why California population growth has slowed a great deal and why Oklahoma population growth is now faster than the national average despite a massive outmigration in the 1930's and 1940's.

There are self-correcting mechanisms. They will work if we will just keep the private and social costs in line, having people pay for the community services they receive where they live.

Mr. **Scheuer**. Could you elaborate on how you would make people pay?

Dr. **Tweeten**. Charge people the full cost of the services. A common procedure in communities across the country is to charge new residents the average cost for being hooked up to utilities. That is, they pay the same average cost as people who are already hooked up. In fact, the cost to the city is much more for hooking up a new resident than for a resident already hooked on. Communities ought to charge the full cost for new hookups.

Mr. **Scheuer**. The marginal cost?

Dr. **Tweeten**. The full marginal cost. Stop subsidizing city people to move out to the country. The proper kind of patterns of growth with a minimum of zoning and other artificial inducements will emerge if people pay the cost of locating where they choose. They decide they want to go, and we give them considerable freedom to do so.

Dr. **Alonso**. I feel the force of that argument, but I think there are some problems with a great many public services, especially the capital intensive ones. The marginal cost is lower than the average.

Mr. **Scheuer**. Which public services are you thinking of?

Dr. **Alonso**. Water in many cases. You have the processing plant, the sewer, the pipes. You also have mass transportation and libraries.

Mr. **Scheuer**. Congress has been funding a large portion of the water and sewer programs for the suburbs for the last 30 years, for which they have not been charged. We are not charging the people there the Federal, as well as the local, cost of water and sewers.

Along with the FHA single family home program that started in the 1930's, we New Yorkers have been financing the construction of the homes, the sewers, and the water, for suburbs. As a result, our middle income people, our professional people, leave New York City for Bronxville, Larchmont, and New Rochelle, et cetera.

So we have lost 1 million middle income, professional, executive, entrepreneurial people, and their places have been filled with low income, under skilled, under serviced people who came to New York for the same purpose that my ancestors came over 100 years ago. We, therefore, financed the engine of our own crippling and disabling and left us in the same posture we will be in tomorrow morning at 10 o'clock for the debate on New York City. We are going to be jumped on by many Members of the Congress from suburban, rural, western, and midwestern locations for the fact that we are evil, wasteful, and extravagant.

We in New York and other urban dwellers have financed the very programs that have left the urban communities of this country, and I am talking about a lot of the older cities in this country, in the powerless financial situation they are in.

Dr. ALONSO. I agree with that, but my point was a little bit different. If you charged marginal costs for many of the services, you would be encouraging what you are trying to discourage. For some, you do have rising marginal costs, but it is the nature of natural monopolies, and that is why they are regulated, to have declining marginal costs.

The other problem is that they are awfully hard to measure, so it would be hard to think of the mechanisms to do it.

Mr. SCHEUER. As a final question I would like to ask this panel the same question I asked the panel yesterday. What Federal, State, and local policies would you recommend to help older cities, and let's take New York as an example, cope with its problems of population decline, tax base decline, financial base decline and job base decline?

The panel members yesterday felt we should not try to reverse the trends because that is like Canute trying to stand against the tides. What are the Federal, State and local policies that you would recommend? Let's go from right to left.

Dr. MULLER. That is a pretty broad order. I am certainly happy that you note the combination local, State, and Federal, because it is not feasible to anticipate that any one level of government alone can deal with the issues.

Starting at the local level, I think some adjustments are already being made. For example, despite lengthy wage negotiations, the spiraling payrolls which the city could well afford perhaps a decade ago, but can no longer afford, have been stabilized. So I believe the city is making its own contribution which I believe it should. It was trying to do too much for too many people at too high a cost.

At the State level, in the particular instance of New York, but not necessarily the case in other areas, New York City comprises 45 percent of the State's population. So it is rather difficult for the State to help the city. While the State can contribute, it has some limitations simply because much of its economic base is New York City. So it doesn't have the flexibility of, let's say, Oklahoma City which comprises a much smaller percentage of the State's population.

But in terms of the State government, as was noted earlier, some of the general costs such as education and welfare, which are already shared by the State, probably need to be shared more because the beneficiaries of the process moved to the suburban areas out of the city and in other instances from the city to other regions of the country.

In terms of other State actions, some of that is already being undertaken, but the fact remains that New York State and New York City are not economically competitive with other areas. The cost of doing business tends to be higher in New York City and State. Take unemployment insurance for example. Because New York State has had high unemployment historically, industry has to pay more in unemployment compensation insurance in order to average out the cost of compensation. This means that it is at a disadvantage with other States which have lower unemployment and thus lower insurance rates. The cost of unemployment, at least much of it, is paid within the State itself.

The State needs to take actions to reduce the costs of doing business because, as I said earlier, in the final analysis, the city will continue to have difficulties unless the private market is stimulated.

At the Federal level, no one specific action can accomplish this aim. It will take a combination of actions.

We do not really know the effects of illegal immigration. My own view, which I expressed before, is that in the Southwest it may well be a benefit. We have temporary farm workers, many of whom earn income, tend not to be on welfare, and eventually do return to Mexico. They are anxious to earn and save money. Immigration is one area which deserves further attention, and probably some compensation if, indeed, immigration is concentrated in a few cities. Special assistance geared toward assisting these immigrants may be required.

More broadly, fiscal assistance, some of which, of course, has been provided in the past and presumably will be provided in the future, should continue with the understanding that this is not going to be a permanent crutch that the city and State will learn to depend upon; that the assistance is for a transition period of let's say 10 years in order to help equalize the demands for services and the costs of meeting this demand.

It seems to me that a set of policies, let's say from the Department of Commerce, to encourage private investment taxation would help. Make the tax differentials such that it does pay to increase investment in an older urban area because the implicit subsidies through the tax structure will equalize the cost of the investment compared to other areas. We now have an incentive not to renew, but to build from the foundation.

You mentioned EPA—Environmental Protection Agency. That is a perfect example. Much suburban growth has been encouraged because of lower utility costs in the absence of EPA than would have been the case. Yet the way these funds are distributed is on the basis of anticipated population. So if one can project larger growth, more money is provided. It is almost a self-fulfilling prophecy. One is documenting large growth to justify EPA funding which in turn provides very low incremental costs of utilities in order to attract more people.

We have to deal with a combination of programs and specific actions rather than try to find one simplistic program. I am suggesting that simply providing the city or State with more fiscal aid is not sufficient and, in the long run, is probably negative. A combination of transitional direct assistance and indirect assistance to attract private investment is needed. Despite all the concern over automation, the fact remains that the only way to attract jobs is to invest capital. The idea that we are going to have more automation and fewer jobs has not been shown historically to be the case.

Mr. **Scheuer**. Mrs. Anderson, do you have any comments?

Mrs. **Anderson**. I would like to listen and learn if that is all right with you.

Mr. **Scheuer**. Certainly.

Dr. **Tweeten**. I agree with what has been said. There are a number of Federal policies working against New York City. Tax policies regarding interest rate deductions, property tax deductions, capital gains, and a number of other things that have been mentioned encourage a move to the suburbs and an emptying out of the middle class and upper class from central New York City. I think New York City should become much more conservative and vote against General Revenue Sharing. The city is losing a lot of money on it and it is not getting back, I suspect, nearly what it is putting into it.

I also think the Federal Government ought to put a lot of pressure on New York City, deny them assistance in extending their loans unless New York City can get its labor unions under control. I see no reason why the garbageman in New York City should be paid more than the college professor in Oklahoma.

Mr. **Scheuer**. I think a lot of New Yorkers would agree with you on that.

Dr. **Tweeten**. The Government has an obligation to exert pressure to help New York City control the demands of labor unions.

I could say more about Federal assistance in terms of welfare benefits, with uniform guidelines for the country, assistance in educational programs that would handle spill-over problems, but I will pass to the next speaker.

Dr. **Alonso**. Of course many of the fiscal and tax issues have had this sort of effect. I think with respect to services, our history has concentrated some particular demands in these places as a result of their structural relationship to the rest of the Nation. Probably the shift in southern agriculture to capital-intensive processes has had much to do with the New York fiscal crisis and the wages of garbagemen, but that is history; that is where we are. But, if there were a spread of the funding and the criteria for funding for services such as schools, welfare, health, and the like, that obviously is somewhat the tendency of much legislation.

However, I think if I were king, and there was one thing to bring the cities back that would be sure-fire, it would be to say to any prospective employer that he will get a clear yes or no regarding

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whether he can go ahead within 6 months of making application. You would have them booming. There is no question of that.

Also, it is interesting if one looks at the discussion of the urban policy this time around. It also carries the fiscal and the capital components that have been traditional, but it is focused much more directly on jobs than earlier versions of urban policies.

I think if one uses 10 years as an allowable perspective, there is a lot of hope. A lot of the problem right now is concentrated on employment, especially the well-advertised teenage unemployment. If you could get rid of that, you would save not only all of the obvious economic things, but you would avoid raising a large generation of people whose formative years are under terrible conditions, and they will be around for the next 40 years.

So it seems to me that it is extraordinarily hopeful that in the last 3 years we had 2 years of 2.5 million jobs formation, the last year over 4 million; that is a very rapid growth, much faster than the population. If you take account of the female labor force participation, it is remarkable how job production has increased.

I do think it is conceivable that one could say that the immediate social problem is the problem of concentrated unemployment; that is a temporary problem, we know it is because the births have slowed down. If we can maintain anything like the current rate of job formation and encourage its location where it is accessible to these people the situation is not as bleak as it might be.

Now, just to add—and I will leave it at that—it seems to me that so much of the imagery of job formation, and job location, has been based on production-manufacturing, and that is not going anywhere. The policies cannot be based on that.

We have very little idea of the service sector. For instance, within the service sector, one of the fastest-growing occupations is guards, and that is a very accessible job. Well, if you look at the numbers, there are millions of jobs in that type of occupation.

Mr. SCHEUER. What type?

Dr. ALONSO. Guards.

Mr. SCHEUER. Guards, plant security guards?

Dr. ALONSO. Plant security, office buildings, neighborhood, a whole bunch of occupations which I have been reading and talking to people about that I am convinced we just do not understand. Yet if there is an answer, it has to be through that route, because I do not think we are going to get the factories back from Taiwan.

Mr. SCHEUER. You think more security jobs would reverse this disamenity trend?

Dr. ALONSO. Well, I used the example of guards because my general point is that we do not know for sure the composition of the service sector and the occupations within it. Our image is of the white collar professional. Obviously, you cannot get a poor, functionally illiterate teenager into a white collar job. So what is the actual composition of jobs in these service industries? There is very little known about that.

What I am saying is that if there can be a perception that it is kind of like a 10-year pull while this crest in the population can be held, we will benefit for a long time. If we can get a little smarter about what kinds of jobs go to what kinds of industries, it is not a hopeless situation.

It is vital to New York City to have a strong national economy. National monetary fiscal policy is important in this respect.

One of the reasons that we have inflation today is because we are searching for an unemployment target which we cannot reach, given the current structure of our labor force. To reach 4-percent unemployment without undue inflation, a wage supplement or related approach is needed. This would help minorities and others to be employed.

When the minimum wage rate plus the cost of social programs, paperwork, and everything is included, the effective minimum wage today is probably at least $5 an hour. There are millions of workers in this country that employers cannot profitably hire at that rate. Unless we find a way to make it profitable for private employers to hire these people, they are a social bombshell sitting around.

Mr. **Scheuer**. And you think it is more cost-effective to go the supplemental wage approach and make it possible for the private sector to hire these people——

Dr. **Tweeten**. Definitely.

Mr. **Scheuer** [continuing]. Than to go the CETA route?

Dr. **Tweeten**. More cost-effective.

Mr. **Scheuer**. Could you elaborate on that.

Dr. **Tweeten**. The cost in the CETA programs is about $15,000 per person in public service employment. We have done a lot of studies with EDA and other programs in estimating the cost of using private industry cooperation in generating jobs. These costs tend to run about $10,000 for a fairly permanent job.

Mr. **Scheuer**. Total?

Dr. **Tweeten**. $10,000. It is vastly more cost effective.

Mr. **Scheuer**. Would you be willing to give those studies to this committee? We would very much appreciate seeing them.

Dr. **Tweeten**. Surely.

[The information follows:]

[Additional information in committee files:]

"Determinants of the Cost-Effectiveness of Public Funds Used to Generate Jobs Through Industrial Development Projects: The EDA Experence." Agriculture Experiment Station, Oklahoms State University, Research Report P-765, Feb., 1978 and Luther Tweeten and George Brinkman. Micropolitan Development. Ames: Iowa State University Press, 1976. Chapter 14.

Dr. **RuBino**. I do not know if I am as hopeful. I see New York City's problems as, like everybody, being more than just local. I see New York City's problems as certainly more than just New York State's problems. I do not think that the boroughs or the State of New York can solve New York City's problems. I think New York City is a national problem. It is too big, really too big to handle with the kinds of programs that are designed for the country as a whole, the kinds of programs that are designed for the Jacksonville's, the Tulsa's, or the Burlington's. We are still trying to treat New York City's problems like the problems of other cities. That is an error.

The mitigation (not the resolution) of New York City's problems can come only from a heavy special influx of Federal involvement. I am not one that likes a great deal of Federal involvement in anything, but I think New York has gone beyond the point where much of anything normal will be able to help significantly the situation that exists. The emphasis has to be on programs designed specifically for New York City.

Mr. Scheuer. You are talking about getting the programs designed specifically for New York City through the Congress of the United States.

Dr. RuBino. I recognize the problems of attempting that.

Mr. Scheuer. The prospect is dismal at its rosiest.

Dr. RuBino. You asked my reaction and I am giving you my reaction. I do not see anything else short of that as really helping New York City.

Mr. Scheuer. What about links to New Jersey, Connecticut, western Pennsylvania, eastern Pennsylvania?

Dr. RuBino. That was sort of going to be a final point.

Mr. Scheuer. Yes.

Dr. RuBino. I also suspect that New York City's governmental structure is archaic to its situation. And one step that needs to be taken is to consider some sort of modernization of New York City's government. I do not really know what form that should take, but I do know that the present governmental structure and the overlapping of the city itself into surrounding States only adds to its current problems.

Mr. Akaka. The hour has come, ladies and gentlemen. I want to express our sincere gratitude to all of you for taking the time to prepare your statements and to appear here today. Your testimony will be very helpful to us in preparing future legislation and in addressing the population concerns of our country and the world.

With that, I again thank you very much.

I want to thank the staff for all the preparation and Mr. Scheuer, chairman of the Select Committe on Population, for his participation.

Mr. Scheuer. Let me say to those of you who have been to other hearings that the principle on which we have functioned in this committee is something unique in the history of this Congress; it is that the Members who have taken the responsibility for working with staff on particular task force assignments should conduct the hearings.

In this case, Congressman Akaka and Congressman Dave Stockman have done the work, have given it their leadership and talent, amd have spent many hours in organizing these hearings. I cannot think of a more dramatic example of how successful this approach is, involving junior members of Congress in leadership roles, in directing and running hearings, than the splendid work Congressman Akaka has done on these particular hearings. I want to thank him for the terrific job he has done, as well as to thank our two staff professionals who have really done an outstanding job.

Mr. Akaka. The hearing is now adjourned.

[Whereupon, at 1:46 p.m., the committee adjourned.]

ADDITIONAL QUESTIONS ASKED OF DR. THOMAS MULLER BY THE CHAIRMAN

Question 1. What can growing cities learn from the fiscal experience of declining cities?

Answer. The major lesson which can be gained is not to expend the public sector rapidly in anticipation that economic growth will continue.

Most declining cities assumed that federal programs to pay for the added public services would continue to expand. In retrospect, this assumption was frequently not valid.

Growing cities should attempt, where feasible, to annex land near their boundaries. If older cities had initiated steps to annex when this was legally and politically feasible, their fiscal posture whould no doubt be stronger today. Growing areas need to recognize that the urban core in the absence of specific actions will deteriorate. Thus, they need to consider neigborhood and commercial area decline and take steps to prevent this decline from eroding nearby areas.

Question 2. The White House recently held a Conference on Balanced National Growth.

(a) Should there be a "Balanced National Growth" policy?

(b) How should balanced growth be measured?

(c) What differences should there be in policy for long-term changes in population growth and economic development versus short-term changes?

Answer. (a) *White House balanced growth: Should there be such a policy.*—At the conceptual level, it is reasonable to argue that the nation should have a balanced growth policy; that is, a policy aimed at controlling rapid rates of growth in particular areas and decelerating rapid decline in others. Both ends of the specturm are likely to be economically and socially detrimental, although given a choice, rapid growth is clearly preferable from an economic perspective to accelerated decline. In many instances, rapid growth is subsidized, directly or indirectly by the Federal government at the state and local level, which means that taxpayers from all areas are paying to maintain growth. When growth and decline are primarily the result of many individual private decisions, government should only intervene if the social costs can be demonstrated to clearly outweight benefits. In this instance, the policy should be to assist declining areas in the adjustment process.

(b) *How should balanced growth be measured.*—Balanced growth can be measured by examining the extremes—the proportion of population residing in communities which are undergoing extreme growth or decline. If only one or two percent of the population is affected, the problem can be considered as not severe.

In practice, determining what is "out of line" or "unbalanced" is difficult to determine; since there are spatial units of varying size: Regional, intrametropolitan (city-suburban), urban-rural. Balance can also be viewed not as a spatial concept, but among sectors of the economy—manufacturing, services, etc. Since "balance" has multiple meanings, the term has little operational significance.

(c) *Policy differences, short and long term change.*—Short term changes, if it is known that indeed change is temporary, may not require any specific policy. Changes attributable to the national business cycles are part of "counter-cyclical" fiscal assistance legislation. The policy focus should be on long term changes adversely impacting particular jurisdictions. These policies should facilitate the local economic adjustment process. For example, it is not practical to adopt policies which will reverse the flow of migration. It is feasible, however, to assist areas losing population to adjust services and facilities to efficiently cope with changed levels of demand.

Question 3. In your oral presentation you mentioned the impact of regional differentials in the cost of doing business. Just how important do you think factor costs are in the decisions of firms to locate in certain areas? In his testimony before our committee, David Birch of M.I.T. noted that a lot of the growth in the West takes place in high-cost areas. For example, rapidly growing cities such as Houston, Dallas, Denver, Phoenix, San Diego, San Jose, and Santa Barbara all pay higher than average wages (even after controlling for industry and occupational mix) and high transportation costs. Is it possible that other incentives, such as attractive climate and newer cities, have a greater impact on locational decisions and that therefore policies to change factor costs may be ineffective?

Answer. A number of rapidly growing communities, including Dallas, Phoenix, and Houston, have high wages yet they are growing. What does this mean in terms of the importance of factor costs? As shown below, *cost of living* varies substantially for an intermediate family:

	Total cost	Housing	Personal taxes and other	Food and transportation
Growing				
Dallas, Tex	14,699	3,335	6,396	4,968
San Diego, Calif	15,989	3,835	7,119	5,035
Houston, Tex	14,987	3,290	6,486	5,212
Mean	15,225	3,483	6,667	5,072
Declining				
New York	18,866	4,774	8,325	5,767
Boston, Mass	19,384	5,193	8,252	5,939
Buffalo, N.Y	17,175	4,042	7,656	5,477
Mean	18,475	4,670	8,078	5,728
Percent difference (Declining/Growing)	21.4	34.1	21.2	12.9

Source: U.S. Bureau of Labor Statistics.

The data also show that a dollar earned in Houston, Texas and San Diego buys more private goods and services than in Boston or New York.

It is doubtful if households move to Houston because of a favorable climate, but likely that the growth in San Diego is at least partially attributable to amenities, including climate. The "newness" of a city by itself is not likely to be a factor. However, rapid growth of a city implies that economic and non-economic factors have been favorable.

I conclude that policies to change factor costs would be an effective tool to maintain viable economies in many older cities, but such a policy would not curtail growth in some areas, such as San Diego.

Decisions on location are made on the basis of many factors, not all economic. Among economic factors, purchasing power, not absolute wage are an important consideration.

As shown above, the cost of living differs primarily because of housing and tax differentials among these areas.[1]

ADDITIONAL QUESTIONS ASKED OF MRS. EILEEN ANDERSON BY THE CHAIRMAN

Question 1. What is being done to discourage the inflow of migrants to Hawaii from other states? One of the recommendations coming out of our hearings is that some form of relocation assistance be given to migrants moving from one part of the U.S. to another. In particular, it has been suggested that better information on employment opportunities be made available to those anticipating a move to a particular area. Do you have any ideas on how such information could best be collected and then made available to potential migrants?

Answer. In regard to your question about what is and can be done to discourage the inflow of migrants to Hawaii from other states, let me first respond by briefly discussing what Hawaii has done and then let me comment on the suggestion that relocation assistance be given to migrants moving from one part of the U.S. to another.

As I mentioned in my written and oral testimony, Hawaii has established a growth management task force to deal with population and growth pressures. Migration to Hawaii from other states is one of the areas that we have looked at. However, in terms of net migration to the State, migrants from other states are estimated to comprise less than one-third of the total and thus do not pose as great a problem for us as does foreign migration.

With respect to the problems of in-migration, the growth management task force proposed and our Legislature passed two significant laws this year which should have some impact. One limits welfare benefits to an extent that we should notice a reduction in the number who arrive on our shores without the intent of becoming contributing members of our community. The second provides some reasonable and, we believe, constitutionally valid preferences for state and county government employment. This law was patterned after Alaska's preference hiring law now being scheduled for review by the United States Supreme Court. Under consideration by the Administration are information dissemination schemes to discourage in-migration. Actions being considered include—

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[1] About 55–70 percent of the differential in the cost of living between the New York, Boston SMSA's and the national urban average is attributable to taxes.

Sending letters to state Directors of Labor informing them of the problems of finding employment in Hawaii and of the special problems faced by job seekers in the Hawaii labor market; and

Developing a brochure that focuses on Hawaii's high cost of living, unemployment, housing costs, taxation, and other problems to be included in the responses of state agencies to out-of-state job inquiries.

As to the suggestion that relocation assistance be given to migrants moving from one part of the U.S. to another, I have these comments. First, I presume you are talking about assistance that would be provided by the U.S. government, not the affected states and locales. If you are thinking about financial assistance, may I suggest that it be *very* carefully structured, and perhaps be given to the governments involved rather than to the individuals. Several years ago, Hawaii, in an effort to reduce not only migration problems but also pressures on the State's welfare system posed by recent arrivals from the mainland, provided air passage to welfare recipients wishing to return to the mainland. Unfortunately, once this fact became known, it acted to encourage even greater numbers of individuals to come to Hawaii, since their return passage would be taken care of by the State.

Providing informational assistance to potential job seekers is an area that may yield some benefit. Gathering information on employment opportunities in particular areas of the country could best be done through the USDOL in conjunction with the state Labor Departments. To disseminate this information, feature stories could be run in trade and professional association publications or even in the Sunday newspaper supplements, such as *Parade* magazine. We would suggest that the approach taken in these feature stories be positive, i.e., geared toward those areas that have excess employment opportunities and want added population growth. Another way to make information available is through the television media—either short 30-minute advertisements or 30- to 60-minute specials.

Question. 2. Do you have specific proposals on how the burden of health, education, and welfare programs can be more equitably shared by the states and the Federal Government?

Answer. In response to your request for some specific proposals on how the burden of health, education and welfare programs can be more equitably shared by the states and the federal government, the following suggestions are offered.

(*a*) The Federal Government could provide a one-time cash grant to each state for each immigrant admitted to that state. The experiences of the federal government in meeting the costs of refuge aliens should provide a guideline as to the magnitude of the grant. Currently pending in the U.S. Senate is a bill, S. 234, which would provide federal assistance of this nature for educational, employment, and other assistance to areas with heavy concentrations of foreign-born persons.

(*b*) The Federal Government could provide an annual allocation to each State, as part of revenue sharing or other similar programs, based on the number or percentage of foreign-born individuals in each state's population.

(*c*) The Federal Government could deal with the problem on a program by program basis, as the following examples suggest.

In the area of welfare, existing federal legislation could be amended to establish residency requirements for receipt of welfare by aliens or to require that the Federal Government pay the full welfare costs for immigrants of less than five years residency in the U.S. Alternatively, the sponsorship provisions of the federal immigration law could be made tougher. In connection with this I would like to call your attention to several bills that have been introduced into the U.S. House of Representatives during the 1st Session of the 95th Congress—namely H.R. 8591 and H.R. 8250. H.R. 8591 would amend the Immigration and Nationality Act to provide that before an alien who is likely to become a public charge may be admitted to the United States, such alien must have an immigration sponsor post a $5,000 bond on such immigrants behalf, and for other purposes. H.R. 8250 would amend the Immigration and Nationality Act to change certain criteria for determining whether an alien is excludable from admission to, or deportable from, the United States as a public charge and to provide that an alien may not be admitted to the United States unless a citizen of the United States enters into an enforceable agreement to provide support to such alien for a period of five years after admission.

In the areas of health and education, added money to meet the special needs of immigrants could be channelled through existing federal programs in these areas. For example, the Public Health Services Act could be amended, as suggested in S. 133, to provide financial grants to states for health services for persons who have recently immigrated to the United States. Expansion of federally-sponsored bilingual education programs would provide added assistance in meeting the educational needs of immigrants. In the area of employment, additional monies could be appropriated under CDTA and earmarked for employment and training of immigrants.

Additional Questions Asked of Dr. Luther Tweeten by the Chairman

Question 1. Do you think the recent "rural renaissance" represents a permanent long-run trend of move to cities or is it only a short-run response to economic recession?

Answer. It is not just a short-run response to economic recession. Although the rate of movement toward micropolitan areas will slow, it will continue for the foreseeable future because it is based on structural changes that will not soon fade away.

One structural change is environment where environment includes conditions surrounding where people live and work as well as how people perceive those conditions.

Concern over environment has emerged approximately each 20 years in the past. The current concern dates from approximately the 1960's and has perhaps a decade to run. The second part of environment is physical. As society increasingly calls for firms to pay the full social cost of where they locate through a system of taxes on pollution and greater costs for pollution control and as workers demand higher pay for living in environments characterized by congestion, crime, pollution and other elements, firms find it increasingly unprofitable to locate in a metropolis and find micropolitan places more profitable. These forces will continue in the future.

The second major element casusing the move to micropolitan areas is decreasing costs of transportation and communication. Data indicate that productivity per worker in these fields have increased more rapidly than in other sectors of the economy. The cost of transportation per unit of value added in industries is decreasing. One effect of this decline is a shift of comparative advantage to some industries in micropolitan areas. And because people already have a preference for micropolitan areas, they are pleased to go where jobs are available.

High underemployment, low wages and lack of strong unions have attracted firms to micropolitan areas. As the excess labor supply is used up and as labor unions and other factors increase wages and reduce incentives for firms to locate in micropolitan areas, the current trends will be slowed but not reversed in the foreseeable future. The trend is likely to be toward intermediate sized cities because small towns and open country face very high costs of medical, fire protection, and educational services that cannot be overcome with current technology. Thus, I anticipate that the major growth will be in intermediate sized cities with population of 100,000 to 1 million.

Question 2. How can sufficient services, e.g., education, be provided to the growing rural areas without overcommitting funds and facilities which in the future may no longer be needed, as population movements change direction? In other words how can sufficient flexibility be built into service delivery systems so that future population trends can be accommodated?

Answer. There are at least two reasons why the above problem may not be serious. First, considerable overcapacity in public services and facilities already exist in micropolitan areas because of past outmigration. Second, with declining birth rates it is unlikely that extensive building of public facilities and services will be required. Depreciation of current facilities will also help to correct for any overcapacity that develops. If the Federal Government does not subsidize the building of services and facilities and if new residents pay the full additional costs of building services, these services rarely will be overbuilt.

Question 3. How can underemployment be measured?

Answer. My written statement indicated that measures of underemployment are now adequate. The "now" should have read "*not*" adequate. I am enclosing a copy of a statement which I prepared for employment and unemployment. That report provides a rather comprehensive look at several underemployment measures. The conceptual framework for an adequate underemployment measure is available; the problem is to place some additional funds into obtaining data on cost of living in micropolitan areas and in providing other information to construct the necessary measures.

Question 4. What do you think of the Administration's national urban policy?

Answer. I have not had an oppoutunity to adequately study the Administration's proposal, but it has some drawbacks. First, a national urban policy will not work in isolation from a rural policy. Second, the top priority is to deal with poverty and underemployment wherever it occurs, in rural or urban areas. Third, the policy does not address the question of where to encourage growth of jobs and population in the country. Efforts to create jobs in central cities where the costs of providing adequate services is extremely high may be inappropriate.

Additional Questions Asked of Dr. Richard RuBino by the Chairman

Question 1. Is anything being done to discourage the inflow of population to Florida from other parts of the country?

Answer. No. In fact, in-migration, particularly of retirees, is still being encouraged through such things as homestead exemptions, etc.

Question 2. What advice would you give to other states which want to manage their growth?

Answer. First of all, I question whether states want to mange growth, i.e., until they find themselves in a crisis situation. An anticipated crisis is a very difficult posture upon which to initiate preventative action—even an existng crisis drags unattended unless its consequences are adequately exposed and understood.

Thus, the starting point in any planned program on growth management is to gain the understanding and support of the mass media. If there is a real need for growth management then it is the mass media which must educate the public. Concurrently, political leadership must understand the need before they will commit their crucial support. But if the mass media is treating the issue properly, then the political leadership will generally provide their support.

Without either of the above actions, any movement toward growth management will be slowly but surely dragged into a quagmire by bureaucracy—that creature whose heriditary instincts are to protect whatever already exists within its domain and to stubbornly resist all possible change agents. Bureaucracy is understandably (i.e., when you look deeply enough at its responsibilities) a great protector of the status quo. Growth management requires strong intra-governmental coordination, and likely, strong executive control. Only an armed public and understanding and committed political leadership can direct bureaucracy into effective growth management.

Given an active mass media, an informed public, and understanding and committed political leadership then bureaucracy will follow, but all of this needs to be accomplished at all levels of government Both state and local political leadership must understand and be committed, and both state and local bureaucracies must become involved if growth management is to be meaningful. Growth management cannot be accomplished by any one level of government alone, it must be an intergovernmental effort.

Lastly, growth management cannot be partial—it must prevail through all facets of government. No "Environmental Land and Water Management Act" should be envisioned as "The" growth management act; growth management requires many actions throughout all aspects of any level of government and at levels of government. Programs of growth management should not be diluted by counter-force programs (such as homestead exemptions).

Question 3. You mentioned in your written testimony that the Local Government Comprehensive Planning Act of 1975 makes it mandatory for all local governments in Florida to prepare and adopt a comprehensive plan by July 1979.

Could you describe in greater detail some of the required elements of these plans?

Answer. The required elements of the Local Government Comprehensive Planning Act of 1975 are:

1. The prescription of principles, guidelines, and standards for the orderly and balanced future economic, social, physical, environmental, and fiscal development of the area.

2. Coordination of the elements of the comprehensive plan, and said elements should be consistent and the plan should be economically feasible.

3. The economic assumptions upon which the plan is based must be set out, and fiscal proposals for capital improvements must be included.

4. Coordination with other local governments, regional agencies, and the state comprehensive plan is a major objective.

5. The comprehensive plan must contain recommendations for implementation of the plan and its various elements.

6. Required elements of the plan:

(*a*) A future land use plan which (1) designates the general distribution, location, and extent of uses of land, and (2) includes standards for control and distribution of population densities and building and structure intensity.

(*b*) Traffic circulation element.

(*c*) A general sanitary sewer, solid waste, drainage, and potable water element correlated to guidelines and principles for future land use.

(*d*) Conservation element.

(*e*) Recreation and open space element.

(*f*) Housing element.

(*g*) Coastal zone protection element, for those local governments lying within the coastal zone.

(*h*) Intergovernmental coordination element (e.g., with school boards and other units of local government.)

(*i*) Utility element.

7. Required for local governments over 50,000 population; optional for all others:

(*a*) Mass transit element.

(*b*) Port, aviation, and related facilities element.

8. Elements optional for all local governments: (a) non-automotive vehicular and pedestrian traffic, (b) off-street parking, (c) public services and facilities (those not included in 6.c. above), (d) public buildings and facilities, (e) community design, (f) general area redevelopment, (g) safety, (h) historical and scenic preservation, (i) economic, (j) others.

Question 4. How can the Federal government expand assistance to local governments in preparing these plans? More funds? Better data?

Answer. In Florida, the degree of authorization for local comprehensive planning is excellent, but the degree of funding is minimal—in fact, suicidal!

Unquestionably, greater Federal financial assistance would help. Perhaps the Federal government could provide increased funding to exemplary programs.

In the area of coordination, some increased attention on the part of the Federal government in requiring, or at least urging, better coordination between the land use planning of "comprehensive" planning agencies and the water use planning of water management agencies would go a long way toward rectifying a currently abominable lack of coordination and a conflict which threatens to worsen.

Additional Questions Asked of Dr. William Alonso by the Chairman

Question 1. In reference to your written testimony, could you elaborate on how you would redesign Federal formulae for grants to localities?

Answer. I have no single suggestion for the overall design of these formulae, which follow various program objectives. But some of these formulae try to take account of what is being called "distress or decline."

"Distress" is not very well defined, but it is usually associated with high unemployment and/or low income. It is "decline" which seems to me inappropriately handled, where it is based on population loss or, more indirectly, by reference to an arbitrary standard such as the percent of housing stock built before 1939.

The use of population loss as a criterion does not match current demographic circumstances, when a great many metropolitan areas are approaching an excess of deaths over births, in addition to outmigration. Preferential treatment for areas whose population decline stems from negative natural increase makes no obvious sense, since presumably it would be meant to increase inmigration, and I see no reason why it should be national policy to direct migration into areas of negative natural increase.

Conversely, a great many metropolitan areas, such as small ones in Texas, are economically distressed and have substantial rates of outmigration. Yet they have very high birth rates and therefore substantial rates of natural increase. Therefore, in spite of substantial outmigration, they show a moderate rate of population increase. Such localities would be excluded by population loss criteria.

The general proposition of using decline as a criterion is based on demographic circumstances which are no longer true, if they ever were. This proposition supposes that the normal circumstance is one of significant natural increase, so that population loss is evidence of hardship which is forcing people to move out. In fact, in many areas natural increase is near zero by the latest estimates—and these estimates are already somewhat out of date; it is a reasonable bet that the next ones will show a substantial number with negative rates. And, the proposition also supposes that local rates of natural increase are substantially similar from one part of the country to another, when in fact many areas still have very rapid rates, so that they may still grow in spite of hardship and outmigration.

The difficulties arising from the use of pre-1939 housing stock are well known. For instance, they qualify a number of well-to-do older areas.

In my opinion federal formulae should be constituted of factors which directly affect federal concerns (such as unemployment, level of poverty, condition of the capital plant), and avoid potentially misleading indicators such as those just discussed.

As far as I am aware, we have no national policies dealing with local population growth or decline as such, and I know of no persuasive reasons why we should.

Question 2. In your written testimony you also mentioned the Federal government's failure to undertake or support research on the structure and dynamics of the geography of population. Where in the government organization would you suggest that such a research capability be built up?

Answer. Data collection and research within the government is, as I understand it, being reviewed in connection with the President's initiatives in urban policy. A Statistical Policy Coordination Committee under the leadership of the Department of Commerce is supposed to report its recommendations in the coming month. I do not know what this Committee's recommendations will be.

With respect to federal support for research, it seems to me that at least three actions may be considered: (1) expansion of the level of support of the geography and demography programs within the National Science Foundation. (2) Review of the position of the relevant programs and review criteria and procedures within the National Institutes of Health. For instance, it is worth considering whether the largest federal funding source in this subject areas is best located within a National Institute of Child Health and Human Development, whose principal focus is on other questions. (3) Of the mission-oriented agencies, only the Economic Development Administration has provided continuing support for basic and applied work in this area as far as I am aware, and the Department of Agriculture in some special aspects. Other federal agencies, such as HUD, the Department of Labor, and various branches of HEW should be encouraged to support work and improve their ability to use its results for policy and administration. This may probably be best achieved by a combination of agency-specific research and data programs and of interagency pooled programs for work of broader usefulness.

Question 3. Could you clarify your remarks with regard to the urban disamenities argument?

Answer. The "urban disamenities" theory, which is so widely held, is in my opinion at best only partially correct. It holds, in brief, that since we are a mature nation with good mobility of labor, capital, and other resources, observed differences in wages (after such obvious adjustments as cost of living) must be compensatory payments for externalities such as crime, pollution, quality of life. Hence the term "disamenities."

This theory is being put to use increasingly in the evaluation of various programs, such as those having to do with pollution abatement and cost/benefit studies, and is consequently having significant effects through its technical implications in the formulation of government programs.

The theory and my criticisms of it are outlines in the enclosed paper, "City Sizes and Quality of Life: Some Observations," Working Paper No. 245, Institute of Urban and Regional Development, University of California, Berkeley, January 1975.

It is worth noting that the basic supposition of the theory is that wages plus psychic well-being are everywhere equal in this country, and that therefore there is no problem of equity as between one city and another, one rural district and another, city and rural, etc. This is, in my opinion an incorrect and dangerous notion.

PLANNING FOR POPULATION CHANGE AND ITS CONSEQUENCES

THURSDAY, JUNE 8, 1978

U.S. House of Representatives,
Select Committee on Population,
Washington, D.C.

The task force met, pursuant to notice, in room 210, Cannon House Office Building, Hon. Daniel K. Akaka (chairman) presiding.

Members in attendance: Mr. Akaka, Mr. Scheuer, Mr. Erlenborn, and Mr. Kildee.

Also present: Ms. Parks, special assistant; Dr. Williams, task force director; Dr. Martin, research associate; Dr. Bouvier, professional consultant; Ms. Tames, research assistant; Ms. Stolp, research assistant; Mr. Lieberman, intern.

Mr. **Akaka**. This hearing of the Select Committee on Population on Planning for Population Change and its Consequences will come to order.

Opening Statement

Today, we come to the final day of hearings on the Domestic Consequences of U.S. Population Change. Let me at this point thank the other committees which have participated actively in the Select Committee's inquiries: The Select Committee on Aging, the Ways and Means Social Security Subcommittee, the Banking, Finance and Urban Affairs Subcommittee on the City, Education and Labor Committee and others.

Over the past 3 weeks, we have heard expert witnesses address a wide variety of issues which result from population change.

They have talked about managing declining enrollments in the education system and the need to adapt vacant school facilities to provide alternative services such as child care and senior citizen centers. They have discussed how demographic factors affect our economic policies. They have addressed the problems of the elderly—housing, health care, and changes in the Social Security system which will have to be dealt with during the coming "senior boom."

This week they have analyzed the needs of individuals who move within the United States to improve their lives. These hearings have also laid out the policy altenatives for the areas which are losing or gaining population.

Today, we will pull together all of these issues and consider the capacity of the Federal Government to plan for the long-range changes that are occurring in our population.

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There are two separate yet interrelated issues which we will be considering: The first concerns planning for Federal programs that will be affected by demographic change; the second concerns how Federal policy relates to planning for population change at the State and local level.

Our witnesses will discuss the various steps in the planning process, such as: Data collection, population projections and program projections, coordination among different programs, and coordination among different levels of government.

Though these planning issues are problems of a more general nature, they are more difficult to solve and are at the heart of the responses to specific issues which we have been discussing over the past 3 weeks.

I would like to inform the witnesses that your prepared testimony will be entered into the record. We would like you to highlight your testimony with some brief remarks of about 10 minutes. Your presentations will be followed by questions from the committee members.

I am requesting that we hear all of the testimony first before questions are asked. However, we will leave it open in case there are pertinent questions that need to be asked while a witness is testifying.

I welcome you and thank you very much for appearing today. I would like to have you proceed in this order: Mr. Robert Parke, Mr. Clay Wellborn, Mr. Kenneth Rainey, Dr. Judith Kunofsky, Mr. Richard Engels, and Dr. William Serow.

May I ask my colleague, do you have any comments to make this morning?

Mr. **Kildee**. No, Mr. Akaka.

Mr. **Akaka**. Thank you very much and with this we will welcome you again and ask you to proceed, Mr. Parke.

STATEMENT OF ROBERT PARKE, DIRECTOR, CENTER FOR COORDINATION OF RESEARCH ON SOCIAL INDICATORS, SOCIAL SCIENCE RESEARCH COUNCIL

[Prepared Statement in Appendix on p. 458.]

Mr. **Parke**. Thank you, Mr. Chairman. I am happy to appear before this committee. I would like to make two opening comments. First, I have been very impressed by the agenda and the outline of hearings that the committee has issued to provide guidance to the witnesses. Second, I speak in an individual capacity and in no way on behalf of my employer.

It seems to me that the best way to approach the topic of the impact of population changes on Federal policy is to provide a few concrete illustrations of the way in which recent population changes have altered the circumstances in which the Federal Government tries to plan and cope. After providing a few examples, I will suggest what demographic analysis can do for policy. Then I will suggest some responses that the government ought to make.

The first example of the impact of population policy that I described in my written testimony was how our efforts to keep unemployment down have been frustrated by the large influx of inexperienced workers into the labor force. Further, I pointed out the view of some economists that fiscal and monetary policy, the traditional means used to sustain demand and keep unemployment down, have, in the circumstances, been incapable of doing so and that the efforts have simply fueled inflation.

A second example—the government tries to provide conditions in which those whose ability qualifies them can attend college, but we have seen in recent years how this has been frustrated by what David Goldberg of the University of Michigan calls the "college age sib squeeze." Goldberg notes that the young people who have been entering college in the last few years and right now were born during the baby boom. That means two things: There are more of them, and—which is critical for this discussion—those children were much more closely spaced than ever before.

The consequence of that is that right now we have the demographic conditions for a lot more families paying double tuition than we had at any time in the past. Goldberg's analysis, which was prepared by the Population-Studies Center of the University of Michigan for the Governor's Commission on Higher Education, makes the point that this is a relatively acute condition right now and that it will pass as the cohorts of the baby boom age.

Goldberg's opinion is that the financial problems for families that these demographic conditions have caused actually had a role in the decline of college enrollment rates in the early part of this decade.

A third example—it is the policy of the Federal Government to try to get people out of poverty, and yet, there is reason to believe that the rising divorce rate has been working in the opposite direction. The reason for that is that divorce breaks the relationships through which most women receive income—the relationships by which they are tied to the wage- and salary-producing part of the economy. Isabel Sawhill, at a conference that the Census Bureau convened last month, conjectured that the rising divorce rate is one of the principal factors throwing women into poverty.

These are a few examples of the impacts of population change on Federal policy. I think there are many more, including many at the local level which I have not attempted to address in my prepared commentary:

We have migration from cities, leaving a residue of poverty, extremely expensive social services, and terrific problems with revenue in the cities.

We have declines in enrollments and school closings. The western part of Fairfax County, Va., needs new schools because that is the part that is being settled, and the populated southern part of the county won't vote for them.

These instances show that demographic analysis can do at least two things for us. First of all, it helps us understand what is happening to us, this helps us respond to what is happening in a more appropriate way. Second, it also helps us anticipate what may happen in the future.

Demographic analysis does not tell us what to do, but it may tell us which of our current efforts are relatively pointless, and that is a contribution. If you learn from the analysis of a situation that some of the remedial efforts you are undertaking are just not going to work or are not worth it, that is a worthwhile contribution for the analysis to make.

As for anticipations, take the Easterlin-Wachter analysis. Their theory implies a forecast, and the forecast is that the situation is going to reverse in the 1980's and that we will have a shortage of young workers, an improvement in their prospects, an increase in marriages, a drop in marriage age, and an increase in fertility. Perhaps not much of one, but that is their forecast, and it seems to provide clear grounds for undertaking a thoroughgoing—checking out of the theory that implies that forecast.

As far as the Goldberg analysis of the college age sib squeeze is concerned, I have specifically avoided taking a position on the various efforts to provide tuition relief. I would like to say, however, that the Goldberg analysis shows that there is indeed a demographic basis for expecting pressure for this kind of relief. It also provides a forecast that the demographic situation giving rise to this pressure is temporary: In the 1980's it is going to dissipate as the baby boom ages.

Those facts are useful to have in mind when trying to respond to the kind of pressure we have.

What kinds of responses should the Government make? First of all, I think we need to do a far better job on our policy analysis from the point of view of seeing to it that demographic questions are raised.

There was a good report from the Congressional Budget Office about the proposals for tuition relief. It did not, however, touch the demographic sources of the pressure.

It seems to me that there are strong grounds for expecting that the Council of Economic Advisers, the Congressional Budget Office, and the Congressional Research Service would see to it that, when we face a major public issue, questions are raised in the policy analysis from a demographic perspective. I do not say whether this should be done by hiring demographers or by making use of the talent of university-based population studies centers—it can be done in a number of ways.

The second thing I want to say about response is that since we can't describe change without measuring it, we need to do a good deal to improve our measures of population changes and their consequences. I have provided a few illustrations of important respect in which it seems to me our statistical and research activities failed to take seriously the measurement of change. Secondly, I think it is high time that our statistical system develop measures of changes that individuals experience.

We know how many divorced people there are in the United States and we know a great deal about their characteristics, but from year to year we have only the crudest notion of how many people get divorced and no information at all about what other changes in their lives are associated with that. I go back to the view that Isabel Sawhill expressed, that divorce is one of the main factors throwing women into poverty in this country. That is a knowledgeable conjecture. I think it is probably true, but we dont't measure it because we haven't tried.

This leads me to some recommendations with regard to the coordination of both statistics and research. If there is an opportunity for this committee to provide support to the staff in the President's reorganization project, which is responsible for planning coordination mechanisms for the statistical system, I urge you to provide that support.

My final point with regard to response is that it seems to me that we ought to be exploring both the needs for intervention and the options for intervention, and the basic question that I raise here draws on a recent article that Charles Westoff published. We need to decide whether there is a good chance that we may in the future want to raise the population growth rate. I think that it is by no means certain that the answer will be yes, and the U.S. Commission on Population Growth and the American Future was not at all certain that a negative population growth would be a bad thing.

The questions there are: What is our judgment of the consequences of negative population growth, what is our judgment of the probability of it, and what is our judgment of the available means for averting it? I conclude with the suggestion that the sorts of research on the childbearing incentives that might come in handy 20 years hence probably ought to be started pretty soon, as it may take the better part of a generation to do the testing that might be required.

Thank you, Mr. Chairman.

Mr. **Akaka**. Thank you very much, Mr. Parke. Mr. Wellborn.

STATEMENT OF CLAY WELLBORN, SPECIALIST IN URBAN AFFAIRS AND PLANNING, GOVERNMENT DIVISION, CONGRESSIONAL RESEARCH SERVICE, LIBRARY OF CONGRESS

[Prepared Statement in Appendix on p. 478.]

Mr. **Wellborn**. Thank you very much, Mr. Chairman. It is a pleasure to be here this morning. Like Mr. Parke, I am also constrained to say that my remarks here this morning are my own and don't reflect the views of the Congressional Research Service.

My assignment this morning is to discuss alternative institutional approaches to long-range planning in the Federal Government for population and its consequences. Planning for population change, of course, can take place at a variety of levels within the Federal structure, but my remarks are limited today to only the Federal Government and they also do not deal with the notion of planning assistance to State and local governments even though that is an important matter.

The planning literature generally points out that planning is a systematic forward looking activity that consists of a series of steps that are linked in principle to decisionmaking and action. As a matter of fact, there is a kind of planning slogan both in the private sector and in the public sector that planning without action is a meaningless activity.

The steps that are involved in planning vary depending on the circumstances but they generally fall something along the following lines. The first step consists of continual scanning of the environment for events, trends, and circumstances that might be early signs of potential problems or also of opportunities.

The next steps consist of identifying goals and priorities, designing alternative policies or courses of action to achieve those goals, and assessing the alternatives' short- and the long-term costs and benefits in terms of primary objectives, and also in terms of likely secondary effects.

The following step, of course, consists of decision—selecting the policies or courses of action that on balance appear to be the most desirable; and finally, implementing the policies and actions that were selected, and monitoring the results with a view toward evaluation and also with alertness for unexpected, surprise results.

We very often find that even though we attempt to plan carefully there are always things that happen that were not intended or that things get off course. This requires a constant monitoring and a feedback process.

The planning literature also addresses the question of how to carry out the activity of systematic policy planning and how to tie planning to action in a setting where complex public issues are involved and in settings where the institutional framework is characterized by fragmentation, by complexity, and sometimes by contradiction and often by conflict.

The literature contains repeated arguments that formulation and implementation of coherent policy in the Federal Government, be it national growth policy, be it urban policy, rural policy, or population policy, just to mention a few examples, are inhibited by the fragmentation of the Federal Government that is, by the division of the Federal Government into independent branches, by the fragmentation of the executive branch into agencies, and by the fragmentation of Congress not only into two Chambers but also into many committees.

The various planning proposals that have been made over the years illustrate despite the differences with regard to the policy sector or subject area that they deal with, alternative ways of dealing with impediments to cohesive policy planning within the Federal Government framework.

Some of the proposals have been quite elaborate; others relatively simple, but most of them have called for the creation of a new planning body outside the existing line agencies of the executive branch.

The functions to be assigned to the proposed planning body would include most of those in the list of functions that I just went through, but the implementation step in these proposals is generally left to existing line agencies. Most of the proposals emphasize that point—they don't propose to create a planning body that would also be responsible for carrying out policies that were to be designed in the planning process.

In the proposals, planning bodies would be charged with information collection and analysis and with coordination of individual agency policies and programs.

Such a new body created for planning and analysis without being subordinated within an existing line agency would be a step aimed at linking the fragments of the executive branch. The nature or strength of the links, of course, would be determined to a large extent by the tasks that the planning body would be assigned and by where it would be placed within the institutional framework.

If we exclude the Tugwell proposal for a new Constitution, which would have replaced our present government of three branches with a Federal Government of six branches, one of which would be a planning branch, the placement of proposed new planning bodies has been limited pretty much to the creation of either an independent agency outside of any existing line or staff entity or to the creation of a new body within the Executive Office of the President, either as a separate unit within the Executive Office or as part of an existing body such as the Office of Management and Budget.

Each of these three locations has its advantages and also its disadvantages, and I would like to run through those very briefly.

An independent agency can be relatively free of short-term pressures that might inhibit it from taking the longer range look at emerging policy issues. It would be even further insulated from political pressures by giving its director a term of office that does not correspond to the Presidential election cycle. The cost of such protection, however, is the risk that the planning body's linkage to decisionmaking and action might be severely attenuated. It might even become a kind of ivory tower operation with no important impact on policy decisions.

Locating a planning body within the Executive Office of the President on the other hand has the advantage of linking the planning body very closely with the channels of governmental action.

If it were given an independent status within the Executive Office as a separate council or some sort of special office, it would be visible and it would have a degree of access to the President.

In such a position the planning body would have a strong base from which to evaluate the work of individual agencies and to exercise some influence on the agencies that would implement policy. The disadvantage, however, is that in such a location the planning function would be vulnerable to short-term pressures of the Presidential election cycle—pressures that are a normal part of everyday American government.

This could lead to an inappropriately short time horizon for the planning body's work, and in the case of population matters, of course, there are some significant leadtimes that are involved.

More importantly, it could result in the transformation of the planning process into a mechanism for rationalizing decisions that were made on grounds that lay outside the planning body's domain.

To protect itself from such pressures, a planning body in this location as a discrete element in the Executive Office also runs the risk of becoming an ivory tower operation. Planning historian Otis Graham has pointed out that this is in fact what happened to the National Resources Planning Board, which saw itself pretty much as a research body oriented toward analysis and advice.

According to Graham, when President Roosevelt was faced with difficult decisions he tended to look elsewhere for assistance. Whether or not this would in fact happen again depends to a large extent on individuals involved, I think.

Locating a planning body within the Executive Office but in the Office of Management and Budget might allow planners to work closely with budget examiners in examining program proposals from the line agencies, in terms of both the short-term impacts and also the long-term impacts, and to participate more directly in the review of legislation.

It might also give the planning body some additional leverage to obtain data and to assign research tasks to individual line agencies.

The disadvantages in this arrangement are that the planning body would be at least one step removed from the President, that it certainly would not have much visibility, and that it might be caught up in an even shorter 1 year budget cycle than if it were to exist as a separate entity in the Executive Office.

The 5-year budget projection requirement for our budgets might mitigate this risk, but nevertheless I think it would still be an important one.

These comments have applied only to the executive branch. Congress, as you know, has an essential part to play in the planning process. A typical proposal that exists in the current literature for dealing with problems of fragmentation of committee jurisdictions and with the problem of having two Chambers of Congress is to create a joint committee of Congress to receive recommendations that would be developed by the executive branch of the population planning body and transmitted by the President to Congress.

The joint committee in such proposals would review recommendations and report out to each Chamber a joint resolution which if passed would serve as a policy guideline for legislative appropriation committees in dealing with matters related to the policy area dealt with the joint resolution and in this case of course it would be population matters.

A second institutional proposal that has been made for improving the planning capability of Congress is the creation of a support agency to assist Congress in dealing with the planning recommendations.

For example, the bill that called for the creation of the Council of Social Advisers in the executive branch and which was supported by the Population Commission called for the creation of the Congressional Office of Goals and Priorities, and there have been similar proposals in other bills and in nonlegislative proposals.

Some of the planning proposals would have given the joint committee a supervisory role with respect to such a support agency.

Other proposals have called for more intensive support in specific areas of concern from existing support agencies such as CBO, or CRS, or OTA.

The organizational changes that were recommended by the Commission on Population Growth and the American Future are very much akin to the organizational recommendations in most of the policy planning ideas that have been put forth over the past few years.

As you know, the recommendations call for strengthening the ability of relevant line agencies to attend to population-related problems, specifically by augmenting the Office of Population Affairs in HEW and by improving the population research through the creation of a National Institute for Population Sciences.

Of additional interest in this context is the Commission's support of the proposed consolidation of a number of executive agencies into a Department of Community Development. This would have reduced the fragmentation of agencies whose programs have an important impact on the distribution of population and would have eased considerably—well, would have eased in principle—the problem of coordinating policies and programs to achieve population objectives.

The Commission also recommended the creation of a unit in the Executive Office of the President. This is pretty much a classic approach. In this instance, the recommendation was for an Office of Population Growth and Distribution. It would be charged to take the broadest possible view of population issues, to transcend individual departmental points of view, and to develop and formulate coherent population policies.

It was to set objectives and goals; it was to monitor; it was to evaluate. In short, it was to be a national planning body for population purposes.

In order to give population matters an institutional home in Congress, the Commission recommended the formulation of a joint committee, once again, a rather classic approach.

Mr. **Scheuer**. Will the witness yield?

Mr. **Wellborn**. Yes, sir.

Mr. **Scheuer**. We, as you know, have taken the first step in the House in establishing this Select Committee on Population with the support of the Speaker of the House, including strong support on the floor during the debate.

We have had informal talks with a number of Senators and they have expressed interest in the joint committee approach. I think it is not beyond the realm of possibility that the next session of Congress will see movement in that direction.

I suggested to the Senators, and a number of our committee members have met with them informally and off the record, that they wait and see the product of our first 6 or 7 months—the product of these hearings and the reports and the kind of creditability we establish. And, if they thought it was promising and that we were approaching the problems in a workmanlike and professional way, then they might consider the possibility of a joint approach.

Mr. **Wellborn**. So, steps are moving in that direction.

Mr. **Scheuer**. It is sort of in the stream of commerce, so to speak, that that is going to be considered.

Mr. **Wellborn**. That is very good.

I would only like to close by following up on Mr. Scheuer's comment and point out that in most of the planning literature the great weight of opinion is that as far as the executive branch is concerned, the creation of a special unit in the Executive Office of the President is about the only institutional structure that we know of at this point given the framework of American Government, that could achieve the kind of policy planning purposes that we are talking about here today, and likewise, that the approach of a joint committee or some combination of special committees in Congress seems, in the opinion of most, to be the most reasonable way to go at this problem.

Certainly, what you are speaking of now is a step in that direction.

Mr. **Scheuer**. May I ask a question or two?

Mr. **Akaka**. Certainly.

Mr. **Scheuer**. We are all very much interested in your testimony, Mr. Wellborn. We are unhappy with the present status of population research. We have had conversations with the Director of the Center of Population Research. He has more or less told us that he will not countenance their doing research that is not directly health related.

He is talking essentially about biomedical research and research related to the delivery of maternal child health services and family planning. This situation leaves a great area of social science research, particularly economic research, outside the pale so far as the director is concerned. He has shown a lack of interest in doing what we consider indispensable research on the causes and effects of population shifts, both national and international, particularly on the impact of illegal immigration on our social and economic systems. Since Congress and the executive branch are being charged with the responsibility of making policy and designing programs in this area, we are forced to make them in a total vacuum without a sound data base to address these questions in a professional way.

Now, this situation leaves us with a couple of options, assuming that that is a totally unsatisfactory posture. We could rename the present Center for Population Research at NIH and call it a Center for Contraceptive and Family Planning Research which is a more accurate description of their work, and they do a perfectly creditable job. We could then create a separate Center for Population Research or Center for Population Sciences at NIH.

The Center for Contraceptive and Family Planning Research could become, of course, a division of the expanded Center for Population Research or Sciences. Another option would be to leave the Center for Population Research, calling it the Center for Contraceptive Research at NIH and set up a separate entity outside of the NIH. It could be located in HEW or in the Executive Office of the President or it might be an extramural research capability.

We have two models: We have the extramural research model and the in-house research model. The in-house research model would be the National Institutes of Health within HEW. An example of the extramural model would be the Institute for Defense Analysis (IDA) which is a nonprofit research organization outside of Government but has as its sole client the Department of Defense.

Another model would be the National Science Foundation or the National Academies of Science which is organized slightly differently, being further out of the orbit of Government; but either of those could serve as a model.

If you had your druthers, which of all of these available options would you pick?

Mr. **Wellborn**. Well, it is difficult for me to respond to that.

Mr. **Scheuer**. Any other member of the panel who wishes to respond to that question may do so. I think that it is one in which we are all keenly interested.

Mr. **Wellborn**. I would have to say that that is a matter of some political sensitivity among agencies and interests and it would be awkward for me to comment on that since I am really not competent to deal with political matters and I would certainly defer to the judgment of others on that.

I would point out, however, that in some of the more elaborate proposals for national planning and, I have in mind the late Senator Humphrey's proposal for what I think was called the Balanced National Growth and Development Act, that laid out very elaborate institutional structures for national planning, not just with regard to population but with regard to a whole range of public policy issues.

The device that was used there, if I recall it correctly, was to create an Office of Demographic Analysis that was linked in a kind of loose way to the Census Bureau but that had a mandate that was beyond that of the Census Bureau itself to go into some of the other matters of population change and some of the nonhealth matters as you mentioned here, for example, to look at economic questions related to demographic change, to look at sociological matters, to look at all of these complicated forces that affect national demographic patterns.

That is an alternative beyond the one that you just mentioned.

Mr. **Scheuer**. Would any of the other panelists like to react to this.

Mr. **Parke**. I am surprised to hear that the Director for the Center for Population Research disavowed the kind of research you are interested in. It seems to me on the record that there has been an extraordinary amount of very high quality social science research about population.

Mr. **Scheuer**. Not coming out of CPR.

Mr. **Parke**. If not, I don't know what my demographer-sociologist friends are doing on their contract review committees.

Mr. **Scheuer**. Well, I would be most surprised and astonished if it was coming out of CPR.

Mr. **Parke**. I would say that some of the very best social science research being funded in the United States today is being funded by that organization.

Dr. **Serow**. That is true. I would certainly agree with Mr. Parke that CPR is the most common funding agency for social science research, but perhaps the point is that they really don't do any themselves.

They do considerable funding in sociology, economics, and other social sciences.

Mr. **Scheuer**. I didn't realize that.

Mr. **Akaka**. Thank you, Mr. Chairman. Mr. Erlenborn.

Mr. **Erlenborn**. No questions.

Mr. **Akaka**. All right. Thank you. Let's proceed then to the next witness. May I also warn you that after 5 minutes we may have to interrupt. We have a vote call.

Mr. **Scheuer**. I would like to ask just one last question of this witness.

Mr. **Akaka**. Certainly.

Mr. **Scheuer**. You have been talking and I have been talking about one center for population research. Yet, it seems to me that in addition to that there ought to be a capability for population research within each of the major cabinet agencies including those whose mission have population implications, certainly HEW, and the Departments of Labor, Commerce, and Interior. I guess you could go down almost all of the cabinet agencies.

In other words, if they have capability for long-term population planning and anaylsis as it affects their programs and policies, you wouldn't have to drive them kicking and screaming into the 20th century.

You have given them the capability of doing demographic analysis and making it an integral part of their planning process.

What do you think about giving each cabinet agency in our Government a long-term research and development planning and analysis capability to integrate long-term population concerns into their own program designs.

Mr. Wellborn. Is that directed to Mr. Parke or to me?

Mr. Scheuer. To you first, but I would be happy to hear from the others.

Mr. Wellborn. I think there are two things that I should say in response to that question. Although I can't speak about all agencies, I know that in the ones that I have day-to-day contact with, they do have their own research and policy development activities going on.

There is a degree of population research going on in those agencies and it is focused on the needs of the particular agency, and of course, that is to be praised, I think. I would be surprised if there was any agency that had a population-related program going on that didn't have some kind of population research underway in support of their own activities.

Mr. Scheuer. I think you would be surprised.

Mr. Wellborn. I may be. The thing that I think is important is that the policy decisions and program decisions that are made in individual agencies may have an overlapping or spillover impact on population concerns and on the population-related programs of other agencies. It is at this point where there is some coordination function that has to be carried out so that at least there is a clear understanding of what the cross impacts are.

This is handled only on a very ad hoc basis right now, if it is handled at all.

Mr. Scheuer. Would anyone else on the panel like to make a comment here?

Mr. Engels. Mr. Chairman, I think I would like to agree with Mr. Wellborn. Dr. Kunofsky and I will be offering comments later on overlap in the area of projections. There is is good bit of activity with respect to projections in a number of Federal agencies, my own included, the Census Bureau. It seems to be fairly fragmented activity, and I am not sure that there is really any hope, at least in the near future, of a coordinated kind of effort.

The thought of encouraging and sponsoring further kinds of activities along this line are fairly frightening.

Mr. Scheuer. You are quite right. We look upon the Census Bureau with a sense of infinite frustration. [Laughter.]

The Census Bureau hasn't begun to get a handle on counting illegal aliens, for example. It is an admittedly difficult task, but they haven't even started it.

You would think there would be a consortium of talent from those agencies like the Census Bureau, HEW, Labor, AID, the Department of State, and Justice, which have jurisdiction over some aspect of the illegal alien issue. You would think that they would have a joint effort at least to count the people coming in and going out, to determine the net number who have stayed so that we could begin to measure the impacts on society, both beneficial and detrimental, in order for us to make some value judgments based on the data base.

We don't begin to have a data base. We feel tremendously frustrated.

Mr. **Engels**. That kind of coordinated effort I couldn't support more, but our track record has not been particularly good along those lines and I don't know if I can give you any hope that it will improve.

Mr. **Scheuer**. Well, maybe we can talk about that later. We have to be eternal optimists up here or we couldn't survive. [Laughter.]

Mr. **Parke**. Mr. Scheuer, on that point I think there is reason for hope. A lot depends on what comes out of the part of the President's Reorganization Project that is planning for the statistical system.

There is no question that you have a wide variety of talent scattered all over the government doing work that is related but not coordinated. There are lots of occassions when it ought not to be coordinated; a little space in the interstices helps. But you are talking about a set of problems that transcend the interests of the individual departments and agencies, and somebody has got to knock heads if they are going to be put together.

Mr. **Scheuer**. Thank you very much. We have second bells. We are going to have to go.

Mr. **Akaka**. At this time, we will call a 15-minute recess.

[Short recess taken.]

Mr. **Akaka**. We will now resume the hearing. I would like to make a comment and ask a question posed by Mr. Scheuer.

Mr. Scheuer would like me to say that he had confused the Director of the Center for Population Research, Dr. Corfman, with Dr. Fredrickson, the Director of the National Institute of Child Health and Human Development. The question Mr. Scheuer posed is: Should all agencies be required to make long-range projections of expenditures such as the Social Security Administration does now?

This is open to all of the panel members.

Mr. **Rainey**. I would like to respond to that initially.

Mr. **Akaka**. Mr. Rainey.

Mr. **Rainey**. I would probably tend to be a lot more conservative in institutional recommendations than some of the other panel members, not because it is my disposition to do so, but because I think that on the basis of the past record of success, we have to look at much more modest kinds of devices.

It would seem to me that anybody who puts forth policies for disposition by Congress or others or Congress when it disposes of policy recommendations and adopts programs needs a capacity and staff capacity to make population projections, economic projections, budget projections, and projections of the impact of those policies

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on the environment, because these projections of the future aren't facts. They are debatable and those things are needed to fuel the debate, to say this is what we believe is going to happen if this program is adopted.

So, there can't be one single institution that cranks out the facts about the future. Everybody that makes a decision has to have the resources available to deal with those questions.

Mr. **Akaka**. Does anyone else want to respond to the question?

Mr. **Rainey**. I would like to make one other comment. Our record has not been too good in the past as we have attempted to do program planning, the budgeting system is one example. We took on too much and we choked on it. There is a western phrase called lathering the rabbit about when a snake tries to swallow a rabbit. It opens its jaws and begins to salivate to get it down, and it either gets the rabbit down or its dies of dehydration. We died of dehydration a number of times in trying to do these major kinds of program planning.

Mr. **Akaka**. Mr. Engels.

Mr. **Engels**. Thank you, Mr. Chairman. We have been somewhat paralyzed in developing projections and data on which to plan—paralyzed by the whole accuracy issue in projections. I think there are enough planning tools to implement policy and effect population development that it might be wiser to look upon projections and the modeling that takes place behind them as research and planning tools. This should be accompanied by a planning and projection philosophy that permits you to select population targets and build social scenarios that are desirable and work toward them with policy tools, rather than to try to use the projections in some kind of a mechanical extension into the future.

It seems that we need a different philosophy in terms of approaching the projections issue.

Mr. **Akaka**. Let us proceed with the testimony of Mr. Rainey.

STATEMENT OF KENNETH RAINEY, VICE PRESIDENT, ACADEMY FOR CONTEMPORARY PROBLEMS

[Prepared Statement in Appendix on p. 497.]

Mr. **Rainey**. Thank you very much, Mr. Chairman. I will try to keep my formal remarks very brief. I should say at the outset that I come out of a background of research on regional economic and population changes, primarily; and my remarks are certainly covered by the experience we've had in doing that recently.

As I said, my recommendations institutionally are fairly modest; but I think it is clear that we need better mechanisms for incorporating good foresight in policymaking and better mechanisms for doing analysis that crosscuts population, economic, and environmental issues because we have just been surprised too many times in the past.

I think we are seeing a growing public reaction and a very disturbing negative reaction to the fact that we have been surprised so many times.

Examples include inadvertent things that were indirect consequences of policy, such as our inability to use an Interstate Highway System at its designed speed once it is nearly completed.

We have been ironically surprised by success. We had a policy to try to equalize regional growth rates around the Nation and bring up the lagging regions of the country. Some economists said it couldn't be done 15 or 20 years ago in the 1960's when these programs were adopted, but it has been done. The general growth rates are now nearly equal.

We are surprised now to find that the Northeast and the Midwest have serious problems and need assistance. We have been surprised, too, as I know many of your witnesses have told you, about demographic changes and economic changes that would have been fairly easy to project; and, in fact, people did project.

The war babies did have to get older, yet we find now that we have too many maternity wards, too many grade schools, too many high schools, too many college classrooms, and now very seriously, not enough jobs for those war babies to occupy. This one of the most serious problems in our national economy today. Young people are entering the labor force at double the rate they were 10 years ago at precisely the time our economy is growing not very adequately to encompass them. They are going to get older still, any they are going to retire; but there is time now to talk about what the consequences of that might be.

So, we have been surprised many times. The question is—why? Why haven't we had better foresight? There are essentially two reasons for this. First of all, the mechanism by which things get done in the United States is necessarily complex. We have a complex federal system and a public-private system. What happens out on the ground to the economy of a particular area or to where someone lives is a result not of what Congress or the President does, but of millions of public and private decisions that all interact in complex ways. It is idle to speculate about changing that. It is an essential part of our system here in the United States.

Second, policymaking is set in a vertical way which is best described by Douglas Cater in his book called "Power in Washington." Essentially, this means that the Department of Agriculture talks hopefully to farmers, it talks to its counterparts at the State level and the local level, and it talks to the agriculture committees of the Senate and the House. This is the way policy gets set, necessarily and rightfully; but in that vertical policy setting process, the consequences of agricultural policy on urban areas are not taken into account.

Neither are the consequences of urban policy taken into account as far as they influence agriculture; nor are the consequences of highway construction on urban policies taken into consideration. We were surprised when as a result of a policy to try to suburbanize people (by making it easier for people to live in the suburbs through a host of programs like mortgage insurance and mortgage interest tax breaks) people, in fact, did move to the suburbs, and the cities emptied out. What is going to be the future economy of the core areas of our major metropolitan centers?

This vertical tunnel vision has caused most of the unfortunate ramifications of our successes and our failures. So, the question before you and other committees is how to incorporate better foresight into policymaking so that this doesn't happen so much in the future.

The problem is that these difficulties have been clear to us for a long time—the lack of coordination among Federal programs and the difficulty in getting programs meshed as they are implemented at the local level. There have been heroic attempts to try to bring about better coordination, to try to force States and localities and Federal agencies to do long-range planning. They have not been crowned with success.

This is primarily because of a phenomenon that I would describe as the "bureaucratization of good ideas." That is, once you take a good idea, and force people to do it, and say you must plan for the future, it sets in motion the hiring of people to get the task done so that it becomes bureaucratized.

The 701 planning program is the first example of this. We said we would get better functioning at the local level if they did some planning so we will give them some money to do it. However, this became so routinized, so stylized that it did not have a significant impact on policymaking. Most of the policymakers didn't see the study.

The national growth report, now called the National Urban Growth Report, which the President is required to produce for the Congress every 2 years, is another example. Undoubtedly, it was a good idea for the President to say to Congress: "This is what I think is happening in the country and what it means for our major public policies." But, again, that good idea became bureaucratized and the production of the report became a mammoth enterprise. Once more, I think we have to say that what has come out of those reports has not been terribly significant for policymaking.

The environmental impact statement was again a good idea to say what will be the impact of this installation on the environment. However, again, that became bureaucratized; it became big business to produce such statements and the results thus far have been disappointing.

So, the question is one not only of incorporating foresight but also of avoiding the bureaucratization of these devices that are put into place to try to institutionalize foresight and to get better policy analysis before new progrmas are enacted.

Anything you do runs the risk of bureaucratization. That has to be admitted. However, there are a number of principles, I think that we can lay down to help avoid bureaucratization in any new projection programs or analysis capacities that might be installed in the Federal Government.

First, we need a capacity for policy analysis in all levels of government, in all branches, and in all departments. Right now, our colleges and universities do not train people to do this kind of policy analysis. They are more accustomed to building elegant analytical models than addressing the kind of question which needs to be asked—what will happen if I do this? That kind of skill has to be developed.

Second, and this is very important, we have to recognize that projections are debatable, that there are no facts about the future. Any kind of projection program builds ammunition for a forensic situation, where one group will say, "I agree with that and this is what is going to happen", and another will say, "No, I don't agree and this is what I think is going to happen". That is to the good.

If we have active debates on what is going to happen and each side of the debate is well staffed to carry that out, it will strengthen the kind of policymaking that is done.

Third, foresight ought to be rewarded rather than required. As a result of the process of requiring, local governments, for example, to produce a plan, producing the plan becomes the overwhelming concern rather than its relevance for local decisionmaking.

Finally, those who make key decisions must recognize the need for better foresight on policy questions, and they have to demand better analysis on the issues that come before them in order to solve our energy problems or our land use problems or our policy for economic development or population policy.

Recently, the National Commission on Supplies and Shortages made a number of recommendations for new institutions for incorporating better foresight in Federal policymaking. One was a national commission that would be responsible for making long-range and middle-range projections. Another was a major reformation in the Federal statistics gathering programs. A third was that Congresss ought to ask that each bill that comes out of committee be accompanied by a concise statement on the goals and objectives of that bill and the probable middle- and long-term consequences.

All of these recommendations form the basis, I think, for something, that realistically might be done. I have several suggestions to add to them.

First, the analysis of what ought to be done with Federal statistics programs is now underway, both in the President's reorganization project and in the Office of Federal Statistical Policy and Standards. I am sure that within the next year or so a substantial number of recommendations are going to come before you as to what might be done to improve Federal statisitics programs and the relevance of statisics to policymaking.

Second, an independent commission, such as the one recommended by the Commission on Supplies and Shortages, would be a good idea as a way of providing major blocks of analysis to Congress and the executive branch; but we should not forget, as I said earlier, that everybody that deals with policy or puts policy forward is going to need their own staff analytical capacity to deal with these projections. They can't simply be taken as facts about the future—as crystal ball projections that are going to come true.

Third, I don't think any massive new kinds of institutions are needed to serve your needs. You have already put into place some of the major institutions that you need to get better policy analysis, to get analysis that crosscuts committee concerns.

A few years ago, it might have seemed idle to talk about, but Congress has made some major reforms. The creation of the Congresional Budget Office is the most significant. That can provide you with a policy analysis capability. The General Accounting Office, the Office of Technology Assessment, the Congressional Research Service all provide you with an additional policymaking and policy analysis capability.

The basic institutions you need already exist. What is needed, however, is the demand from the leadership and from committee chairmen and others that this kind of policy analysis be incorporated into the legislative process.

Mr. **AKAKA**. Thank you very much, Mr. Rainey. Mr. Erlenborn, do you have any questions?

Mr. **ERLENBORN**. No.

Mr. **AKAKA**. We will continue then with our witnesses. We will reserve questions until all of you are through unless there are pertinent questions that we might want to ask. Dr. Kunofsky, please.

STATEMENT OF DR. JUDITH KUNOFSKY, POPULATION AND GROWTH POLICY SPECIALIST, SIERRA CLUB

[Prepared Statement in Appendix on p. 508.]

Dr. **KUNOFSKY**. Thank you very much. I am pleased to be here representing the Sierra Club.

The subject I would like to discuss is the use of subnational projections—projections of population size and growth rates for geographical areas smaller than the country as a whole by the Federal Government.

These projections are used in determining the allocation of funding, the decision to go ahead with or reject various Federal, local, and State projects. All major governmental investments in roads, dams, sewage treatment plants, sewers, and energy production facilities attempt to satisfy one or both of the following needs:

They address a current problem such as current water quality problem or they may provide for additional capacity in the future to take care of a problem that we see coming.

In order to determine these future needs, the agency proposing a certain project develops a projection of the needs, either a projection of the number of automobile miles to be traveled, the amount of untreated sewerage, demand for water, and so forth.

An essential component of this is the population projection. A projection, then, is an integral part of the determination of whether a project is needed, where it should be located, of what scale, and in many cases how much money is to be made available by the Federal Government.

If the question were only that of wasting Federal dollars, it would be bad enough. I am a Californian and in the last few days we have become much more sensitive than ever before to the issue of the use of tax money. Fortunately or unfortunately, however, the building of major projects often has the effect of inducing or facilitating the population and economic change that was projected.

Among the problems that are then posed are that a community may consciously or unconsciously, by inflating its projections, receive more than its share of the Federal dollars. Areas that have more pressing problems may, therefore, not get enough money. Growth may be induced by one Federal program in a way that is counterproductive of the goals of another Federal program. Growth may be unfairly induced in one region to the detriment of another. Finally, one community may be receiving funds from a variety of Federal, State, and local agencies all based on their different population projections. In many cases, these projections are developed without much public participation and sometimes without any participation of political decisionmakers whatsoever.

I would like to give a few examples of conflicts that have arisen around the country involving Federal programs in the use of population projections. They are discussed in more detail in my written testimony and involve the Environmental Protection Agency, the U.S. Forest Service, and the Army Corps of Engineers.

To begin with the Environmental Protection Agency, the Clean Water Act of 1972 was amended in 1977, and is a multitbillion-dollar program to clean the Nation's waters. It is the largest public works program in the country today, whose annual expenditures are between $4 and $5 billion.

Section 201 of the act provides for a Federal contribution of between 75 and 85 percent of the costs of construction, and in the past, the size of the facility and, therefore, the appropriate Federal contribution has been based on whatever population projection the community or the region produced.

In Denver, the regional projection for the year 2000 is about 2.35 million compared with 1.5 million today. The Denver area is zoned for 6.5 million so it should be clear that zoning is not acting as an effective guide for local growth. What does determine the future distribution of population and industry within the Denver region is to a great extent the location and size of the various sewage treatment facilities within the Denver area. Since one of Denver's major environmental problems is air quality, it does make a significant difference to the achievement of Federal clean air objectives whether the sort of growth that is induced continues sprawl or is growth in a direction of encouraging or facilitating the development of public transit systems.

A second example illustrating a somewhat different point, although relating to the same Federal program, is that of the Atlanta Regional Commission. The State of Georgia has projected that, if current trends continue, the Atlanta region will have 2.4 million people by the year 2000.

The Atlanta Regional Commission, itself, has projected that its area will contain 3.5 million people in that year, or 46 percent greater. The Atlanta Regional Commission has been quite vocal in calling for funding by all Federal agencies at their own projected level; namely, 3.5 million. What are current trends in this situation, and what is the Federal Government's responsibility?

A final example is that of the U.S. Forest Service, within the Department of Agriculture, which has been developing a land management plan for a park in Wyoming outside the city of Cheyenne. The key point of contention over the management plan has been the extent to which the Forest Service would accept the Cheyenne Water Board's request that land be reserved for further development of the city's water supplies.

Some of the remaining areas were to be made available for study for potential inclusion in the National Wilderness Preservation System.

Substantial controversy arose after publication of the draft environmental impact statement. The Cheyenne Water Board had used a projection of 113,000 for Cheyenne for the year 2000, compared with 44,000 in 1973.

However, the economic research unit of the office of the State planning coordinator had projected a year 2000 population of 73,000 for the entire county in which Cheyenne is located, of which

60,000 would be in the city of Cheyenne itself. This was a difference of one projection being roughly twice another.

This point was raised not only by the Wilderness Society and the Wyoming Outdoor Council, but also by the Office of the Industrial Siting Administration and by the Governor of the State who said that he considered the Cheyenne Water Board's projection of water needs to be insufficiently documented.

The objections were sufficiently compelling that, in the final report issued last September, the Forest Service had changed its decision on management options and had increased the acreage that would be allowed for wilderness study and decreased the acreage to be reserved for potential water development.

That, as you can imagine, was immediately appealed by the city of Cheyenne to the Director of the Forest Service. That matter is still being negotiated.

Additional examples are presented in my written testimony.

I would like to suggest the following as principles for national policy on the use of population projection. Let me say at the beginning that there are two extreme positions. One, to use only trends. However, as a number of speakers have pointed out, there is no objective projection that tells you what the trend is. Another extreme is to use only community goals. It is certainly true that very few communities or States have developed explicit population goals and, in the short run, it would be very difficult to do so. Therefore, we have to find some reasonable set of procedures for the Federal Government to use in determining how it will use population projections in making decisions on major projects.

I submit the following principles for your consideration.

(1) The Federal Government should continue to produce projections for the country as a whole that reflect a range of current trends in population growth. However, the Federal Government should also seriously consider producing alternative projections that exhibit different population paths, including fertility and migration trends that are not now seen as current trends.

(2) Projections for communities which are to be used by the Federal Government in funding should satisfy the following conditions:

a. They should be prepared using demographically acceptable techniques. This point should be no surprise.

b. The sum total of all State projections used, or all projections for smaller geographical units, should be equal to or reasonably related to a projection of national U.S. population. This is not now true. I would imagine if one could total the State projections or the county projections, one might get something two or three times greater than any reasonable projection for U.S. population.

c. Projections must take into account the relevance of clearly established Federal goals as well as local goals.

d. There must be a place for input by State and local governments as well as by the public

(3) All Federal agencies should use the same projections in a community or State.

(4) The Federal Government has no responsibility to promote increased population or economic growth in an area unless that

promotion is consistent with and in furtherance of clearly established national goals.

(5) Communities must be encouraged to consider preparing and/or using projections that reflect goals, not simply trends, for both population distribution within the region and population size itself.

(6) As the Federal Government is better able to articulate national policies for urban development, protection of agricultural land, water policy, housing, population growth and others, some mechanism must be found for integrating achievement of these goals into the projections as they are used by Federal agencies.

I am pleased to tell you that the Environmental Protection Agency has issued interim/final regulations for a portion of the Clean Water Act that include recommendations on population projections that satisfy virtually all of the principles that I have just suggested for Federal policy.

I do not have time today to describe them in great detail. Briefly, the process would begin with the Census Bureau's series II, which is the middle level projection of the Census Bureau.

Then the Bureau of Economic Analysis projections for the 50 States would be given to the States and, roughly, the States would allocate—or disaggregate or divide up—those State projections into projections for water planning regions. The water planning regions would in turn—in consultation with the States—divide up the projections any way they thought that was consistent with their own needs and national needs. There are allowances for exceptions in various cases at the State and regional level.

At both the State and regional level, communities could disaggregate according to current trends; they could project more growth in growth centers; they could project more urban centered growth; they could project growth in ways consistent with the Clean Air Act and other Federal goals; but they would have scope for developing the projections themselves within the constraint of the national total.

I believe the regulations are sufficiently important and sufficiently farsighted that EPA should be encouraged to proceed with their implementation as quickly as possible.

One issue that has been raised is the extent to which other Federal agencies will follow suit, but there are interagency agreements between EPA, and the Department of Housing and Urban Development, and the Department of Transportation relating to their commitment to use consistent population projections.

In addition, last year the President established, by Executive order, a Statistical Policy Coordination Committee, officially at the Cabinet level chaired by the Secretary of Commerce.

This committee, which I believe has met twice thus far, has established a subcommittee to review the Federal use of population projections. The subcommittee will be meeting for the first time next week and therefore, it seems to me, this is an opportune time for the Select Committee, if it wishes, to offer suggestions to this subcommittee regarding their work plan, to work closely with them in their deliberations, and to present them with any conclusions you may come to regarding the use of projections.

I conclude with some suggestions to the select committee for your action:

1. Request that the Statistical Policy Coordination Committee's subcommittee on population projections conduct a survey of all Federal agencies to determine which ones are using population projections, how those projections have been developed, and uses to which they are put.

2. Request that the committee then produce informational material discussing the results of the survey, listing what subnational projections are available from the Federal Government and the differences among them. I think this would be very useful for managers of programs and for political leaders at all levels of government.

3. Endorse the principles I listed earlier regarding the Federal Government's use of population projections.

4. Finally, I recommend that you seriously consider endorsing the interim/final regulations of the Environmental Protection Agency regarding the use of population projections in the construction grants program of the Clean Water Act; that you recommend that the Environmental Protection Agency use the same schematic process in all its programs; and, finally, that you recommend that all Federal agencies use the same process, and communicate this recommmendation directly to the affected agencies and to the Statistical Policy Coordination Committee.

Thank you.

Mr. AKAKA. Thank you very much, Dr. Kunofsky. I then move on to our next witness, Mr. Richard Engels.

STATEMENT OF RICHARD ENGELS, ASSISTANT CHIEF, POPULATION DIVISION, BUREAU OF THE CENSUS

[Prepared Statement in Appendix on p. 534.]

Mr. ENGELS. Thank you, Mr. Chairman. If I can anticipate Dr. Serow's remarks, I think we will begin to give you a change of pace here in addressing some of the issues that Mr. Scheuer raised concerning where population research takes place rather than what kind of projects are undertaken.

I had the opportunity to talk with the staff of the committee some time ago for an afternoon to outline in general the kinds of estimates and projection activities going on in the Federal Government and how that might relate to similar kinds of activities underway in State and local agencies.

All that I will attempt to do here today is to summarize some of these points of contact and generally indicate how things might go in the future.

One of the developments over the past 10 years has been something called the Federal-State Cooperative Program for Local Population Estimates (FSCP). In general, the goals were to undertake some mutually beneficial and interesting projects in terms of the population estimates and more specifically, jointly prepare total population estimates at the county level.

Over the course of the last 10 years, things have gone both well and poorly on different occasions, but in general the goals have been pursued and some of them attained. The byproduct work to date is that it has fostered a good deal of continued and frequent contact between the Federal Government—that is, the Census Bureau—and State agencies.

A second development along that same line is that there have been a number of subgroups established from the membership of the parent FSCP organization to address the kinds of issues, for example, that Dr. Kunofsky just raised on projections, some others on estimating population characteristics, and still others inquiring as to how State level population might better be estimated. All of the subgroups operate a good bit more informally than the overall FSCP program on some fairly developmental and experimental types of activities.

One of the most favorable and significant developments stemming from the FSCP subgroup activities is the recent effort of the projections subgroup to convert to a cooperative program of equal standing with the original estimates of FSCP. I see that as a good possibility in the next 6 to 12 months with the result that there may be a clearer understanding of some of the issues that Dr. Kunofsky raised regarding who does what and how the State and Federal Government relate to each other.

Another development that has taken place in the parent FSCP group is that some of the States have progressed to such a level of sophistication and done such a good job of analysis that their figures are largely adopted, along with Federal figures, for use in revenue sharing, other funding distribution programs, and in other kinds of planning activities. This extends to both population estimates and local special censuses.

Of course, the FSCP program has also had its ups and downs during the course of the last 10 years with the usual kinds of feelings on the part of the States that the program was not as cooperative as it should be and an equal measure of frustration on our part at the unevenness from State to State as to their willingness and ability to carry out the kinds of research they should.

In fact, I am going to take Dr. Kunofsky to task on the issue of disaggregation of Federal projections by local agencies due to the fact that although there are a few States that are extremely good at this kind of thing, in large part most are unable to do an adequate job. The goal is laudable, and has appeal, but is largely unattainable on a uniform basis.

A further point of contact with local agencies in population estimates has been the result of recent changes in our handling of the revenue sharing data program. In the 6 years since the general revenue sharing legislation was enacted, we have produced three sets of figures for local areas. For the first time this year, we have invited comment and technical review from every area in the United States that receives revenue sharing funds.

It has prompted a good bit of activity in our office, consisting largely of doing little else but answering telephone calls and letters for the last 2 or 3 months. The contact has been most beneficial, however, and has brought us in touch with probably 500 to 1,000 local areas that we would not have seen otherwise.

Given the difficulties of estimating small areas below 1,000 population, any other kind of additional information or analysis that the local areas can provide in addition to what we do is welcomed. It works to the benefit of us, the local areas, and the revenue sharing program data base as well. In light of the fact that 50 percent of the revenue sharing areas in the United States are under 1,000 population, the assistance of local areas with auxiliary data may serve to improve the estimates substantially.

A third development bringing Federal and local governments into closer contact is a renewed emphasis on research at the Bureau. As a result of the enactment of the general revenue sharing program, a good bit of research work had been done in the past, but during the early days of the revenue sharing program much of our time and effort was devoted to the production of figures. Our general research has suffered as a result.

Lately we have been able to return to background research. This has renewed our contacts with local areas and the State cooperative agencies as well, and again, generally has let us pursue some fairly interesting kinds of new developments in estimates and projections, as well as new twists on old techniques.

Work of this nature both initiates and bolsters contacts that would not have been there otherwise.

A final development relates to the upcoming 1980 census but involves the same kind of local review issue that I noted earlier on revenue sharing. In an effort to produce a better count in 1980 for local areas, we are trying to accumulate local housing figures, population estimates, and auxiliary data that might be compared to preliminary census counts to indicate when more census work might be needed. The attempt here is to identify potential problem areas in the count, for census tracts or other small areas.

As a lead-in to this kind of activity, we are going to have to count on a good bit of help from the local agencies. We are already in contact with planners in at least the metropolitan areas that do population work, and are beginning to get them thinking about the 1980 work, how their efforts and ours will relate, and generally have them begin to accumulate the kinds of data that will be needed to make the program work. In some cases, in fact, local estimates programs will be developed, where none are currently in operation. The end result will be the encouragement of local activity that again would not be there if the census review program had not been initiated.

The same kinds of things relate to the area of projections. Dr. Kunofsky did an excellent job of covering projections issues, so I will not belabor it much more. Her points are very well taken. I see the same kinds of things in store for the projections area as for estimates.

In 1975 the Congressional Research Service conducted a survey of the number of active Federal programs that rely on population counts or estimates in their administration.

There were 103 such programs and I suspect that the number has increased in the 3 years since the survey.

I can see the same kind of thing coming for projections. The types of horror stories that Dr. Kunofsky related in a few case studies are going to be more abundant, I suspect, in the next few years. Local area projections are already in use by the Environmental Protection Agency, the Department of Housing and Urban Develpoment and the health systems agencies for both planning and funding allocation.

The Comprehensive Employment and Training Act also relies upon projections for planning. The Hill-Burton program for construction of medical facilities has been operating on the basis of projections for some time. Similarly, the Department of Energy is preparing a series of projections as a proxy for demand for energy at the county and State levels.

This represents a good bit of activity, despite the fact that there are only one or two pieces of legislation that actually require the use of projections. Administrative practice seems to dictate that projections be used anyway, and I see more frequent formal arrangements coming through legislation and adminstrative regulations.

A case in point, we had an opportunity to talk with the Administrator of the health systems agency program just recently and found that they are looking forward to new regulations in the spring of next year that will require local agencies to use projections. If none are available, it will be suggested that local agencies undertake them. HEW will then assess the response and results, with the suggestion that Census Bureau projections be required if the response is not satisfactory.

This is a mixed blessing, of course, since we do not produce projections at the county level now. I am not sure that we are really anxious to undertake projections at this level of geography or would do a very good job at it, but it shows a clear need for projections and indicates the usual strategy for their production and use in administrating programs.

There are some healthy signs in terms of coordination, however. I don't mean to paint a totally bleak picture. Some of the things that have already been mentioned—the Interagency Committee on Statistical Methods and the committee that has been established to meet on projections—I suspect will be very active over the next year or so in terms of trying to make some sense out of Federal level projections work and its use.

In addition, the staffs of Census, the Bureau of Economic Analysis (BEA), Employment and Training Administration (ETA), and the Department of Energy (DOE), have been talking to each other more seriously lately, and I suspect that there will be continued activity in that regard. That is a healthy sign as well.

The Federal-State cooperative program task force on projections that I mentioned earlier also may bear some fruit. In a related development, the American Statistical Association, the National Science Foundation, and Census jointly conducted a conference on the state of the art in projections, with the thought in mind that mutual projects and funding might be arranged for someone to come to Census to investigate the coordination of the BEA economic work, the demographic approach at Census, and some of the other kinds of concerns at ETA and the DOE. The consensus of the conference participants was that such a project should be undertaken and a series of recommendations were constructed to work toward implementation.

So, there are some healthy signs. As a closing note, however, I feel compelled to take exception with one of Mr. Rainey's observations that indicated projections to be a reflection of what we think will happen. Rather, we should adopt the kind of approach noted by Dr. Kunofsky to better articulate desired development and set some goals, not just in terms of population, so we can begin to talk about integrating employment, unemployment, income, family formation and dissolution, manpower supplies and demands, education, residential settlement patterns, and related social and economic factors.

The reasonable approach would seem to be to establish what we would like to see happen in a few years and let the models tell you what it takes to get there.

Mr. AKAKA. Thank you very much, Dr. Engels. I am going to move on to our last witness, Dr. William Serow.

STATEMENT OF DR. WILLIAM SEROW, RESEARCH DIRECTOR, POPULATION STUDIES CENTER, TAYLOE MURPHY INSTITUTE, UNIVERSITY OF VIRGINIA

[Prepared Statement in Appendix on p. 557.]

Dr. SEROW. Thank you, Mr. Chairman. I would like to add to the expression of the previous speakers in how happy I am to be here today. It is always nice to be last because then you can react to whatever has been on before.

Unfortunately, the last two speakers have stolen just about everything I was going to say so I will have to think up some new things as I go.

My observation is that the present decade has probably seen more rapid and perhaps unexpected sorts of demographic change than has ever occurred before. The continuation of the fertility decline which began during the 1960's has reached unprecedentedly low levels.

The change in distribution in population throughout the country, the growth of nonmetropolitan areas and simultaneously with this the resurgence of population growth in the South, the increase in divorce, the increase in change of age of marriage—all these factors have been operating. Some of us who are wiser than I could have seen them, but I think by and large the demographic profession didn't foresee that all of these things were going to happen. It makes an enormous difference.

At the State and local level it becomes extremely difficult to try to figure out what is going on at present, as a result of these changes and even worse, I would suspect, to try to make projections of what is going to happen in the future in these areas. I would offer the observation that the smaller the unit of area about which we are talking, the more difficult it is to provide reasonable estimates of current population and projections of the future population as well.

Not only do we need total estimates of total population, we also need estimates in projections of demographic characteristics as well as trying to get some handle on how individual human behavior is changing in terms of areas like family formation, family dissolution, fertility, and average household size. These events can become extremely important in reflecting demographic change.

Overall, the Bureau of the Census has done a fine job in coordinating efforts in this regard, particularly in recent years, and have provided a lot more information at the State and local level than had been true in the past.

Unfortunately, it is frequently the case that we have gone from a paucity of data to an excess. Dr. Kunofsky illustrated some examples of this before. People frequently call our office, and I imagine the offices of our colleagues in other States, and say that this agency has this number, or this agency has that number. Which one is right? Especially when you are talking about a number that alleges to be the population of the jurisdiction in the year 2000, the best you can say is, "I haven't the faintest idea."

That, perhaps, is not a good answer, but realistically it is the case, especially if you are talking about the area of projections where overall the track record of the demographic profession in terms of projections is terrible; not to fault any one individual, but it seems to me that as soon as we think we understand how humans make decisions regarding particularly their fertility and migration behavior, it turns out that we are wrong.

This is all well and good, but it doesn't do much help for State and local governments in trying to figure out what is going on.

One thing I think is definitely needed is coordination of both estimates and projections, perhaps even to a greater extent than what we have now so that at least we can make reasonable comparisons between different parts of the country to try to understand what is happening and even better to try to understand why it is happening.

For example, one of the big elements that seems to me that has been responsible for population change particularly, for example, in the case of recent population growth in the South that isn't paid a great deal of attention to is the role of Federal Government policy which is not designed to have a demographic impact but which in fact does.

Two factors that I can think of right off the top of my head that have certainly facilitated the expansion of population in the South vis-a-vis the rest of the Nation, at least the nonwestern part of the Nation, would be the development of the Interstate Highway System which has allowed previously remote areas of the South to become attractive to industry since now trucks can get in where railroad lines didn't extend; and second, the fairly large concentration of military installations in the South which have had enormous impact on the in-migration patterns to the South between 1965 and 1970.

No one would suggest that the Department of Defense realine their policy so that defense policy becomes based on demographic needs rather than national defense. I think it is interesting that such policies have had a remarkable demographic effect which probably hasn't been realized and certainly has been unintended.

To follow up on some of the things that Mr. Engels said, I was glad to see him talking out this partnership between Federal and State governments and it would certainly be nice, I think, if this partnership could be strengthened. I certainly don't mean to knock the Census Bureau because they have done a fine job in doing this and are very responsible for the existence of the partnership as it now is and have eliminated a lot of unnecessary duplication and confusion. There are still some data that needs to be worked on, but I think they are responsible for considerable progress since 1970.

Also, as Mr. Engels pointed out there is a great deal of variability among the States in terms of the amount of demographic work

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that they are able to do for historic reasons, differences in funding, differences in levels of staffing and so on.

I think it would be desirable if recognition could be taken of the fact that some States are more capable than others of doing some work and that to some extent, I think there are certain economies that could be recognized by having some of the research burden being transferred from Federal offices to States offices.

One of the things I think that has been a major hinderance to this, for example, in the FSCP program that Mr. Engels had mentioned is the fact that unlike most cooperative programs there is no money or no staffing provided by the Federal Government. The agencies at the State level which do participate in FSCP do so entirely with State generated funding and it has created problems in some areas.

I, of course, represent a FSCP agency, so it is easy for me to say that it would be nice to have money provided but I will say that in any case.

Another thing that I think is extremely important is the development of mechanisms to enhance the research capabilities at the State and local level in terms of demographic analysis. I've been working at Tayloe Murphy Institute at the University of Virginia for 8 years now and have come into quite a bit of contact with local planners and persons like this who are charged with certain demographic responsibility by their respective employers.

Most of these individuals do not have a great deal of demographic training or expertise. This is not meant to cast aspersions on them; it is just stating the fact. A great deal of money has been spent recently, especially by the Federal Government, in training people in demographic research.

Most of the training that has been going on historically has been designed to train more academics. I expect that the previous hearings of the committee have been of such nature to recognize that the demand for college education is not going to be quite as high perhaps in the future as it has been in the past, and we are already in the situtation where there are more academics than need be.

I would certainly suggest that training activities be geared to more of what I would call the nuts and bolts of the demographic business. Right now, it seems to me that the kind of work that we have been talking about is relatively unfashionable because it does not build the elegant models that one likes to construct in graduate school to complete dissertations.

Unfortunately, I don't think that is where the demand is going to be in the future. We need people who don't mind getting their hands dirty, proverbially speaking, in terms of working with real, honest-to-goodness data at the State and local level where things don't always work as nicely as one might expect. Similarly, a lot of demographic research that has been going on, especially that which has been funded by Federal agencies, tends to be of the same theoretical nature.

Now, I certainly don't wish to give the impression that theory isn't important because it is essential that we continue our efforts to try to understand individuals' demographic response to changing economic and social circumstances.

I would certainly argue that it would be helpful to try to translate some of the findings that have come out of the work done by the Center for Population Research and other Federal granting agencies and to try to couple them with demographic work at the State and local levels, especially for projections and possibly some work on further development of improved estimating techniques. I think this is extremely important that this kind of work be done.

The Federal Government can encourage graduate training programs in the more practical aspects of demography, not necessarily Ph. D. programs. A few universities have 1-year masters programs or certificate programs or something of the sort; these are the sort of training programs we are going to need.

In my view at least, they can train the kind of individuals who are needed to work at State and local governments and provide a meaningful input to demographic estimates, demographic projections, understanding human behavior at the State and local level.

Thank you.

Mr. **Akaka**. Thank you very much, Dr. Serow. I would like to pose questions to the panel. I want to thank you very much for your testimony.

QUESTIONS AND REMARKS

Mr. **Akaka**. This question is to the panel. Do you think it is counterproductive to discuss mechanisms to respond to population change before we have stated goals regarding population, size, and distribution? Mr. Parke.

Mr. **Parke**. Some comment was made about the success—or rather the lack of it—of demographers in anticipating population change. If I thought that we could project the goals we would have in the future with anything like the success with which we have projected the population, I might buy that proposal.

In fact, we don't know what we are going to want in 10 or 20 years. I think it is obvious that we have to do the analytical work to prepare ourselves for a variety of contingencies. One of the contingencies is that we are going to change our minds, and other contingencies have to do with demographic developments and all the other things we have been talking about in these meetings.

Mr. **Akaka**. Mr. Rainey.

Mr. **Rainey**. As a part of the answers to your question, Mr. Chairman, I would like to say that I agree with Dr. Engels. There are two questions. One is essentially a projection saying, all other things being equal, what do we think is going to happen, and the other is what do we want to happen? They are at least equally important. Perhaps, what we want to happen is even more important. Those do have to be kept separate.

It is possible to do work and to provide projections without having specific population distribution goals. I would suspect that we will still continue to operate in atmospheres where there are no national goals that are binding upon States and localities as far as the distribution of population so that we have to figure out ways of operating better in that kind of milieu.

The Denver example is a good one. To some extent, Denver can control whether it has 2 million or 3 million people. It is a question of what Denver wants.

The question to the Federal Government is what level of population in Denver is the Federal Government willing to sustain and pay for and pay for the water treatment facilities. They can say, in the Nation's interest, western development as far as population of semiarid areas ought to be controlled. So, what Denver does is its business, but the Federal Government will not support it with a sewerage system of such and such a size.

I think it is that kind of analysis that can be done now, and it can still be done in the absence of Federal policies that get into very great detail on goals for a particular county. They can be fairly sweeping regional goals, but I do think we need something like that. In the Nation's interest, the development of people in the arid lands—population in the arid lands—is not right now a good idea, but we do need some specific regional goals as far as population distribution in order to do a better job of policymaking.

Dr. **Kunofsky**. I think we need to distinguish between the short term and long term. There are clearly certain things that are going to happen demographically over which we have no control.

We knew 20 years ago how many 20 year olds there would be in the United States this year, and one of the failures I know other hearings have dealt with is our failure as a country to realize 5 years after the baby boom began that they were all going to hit the elementary schools, then junior high schools, high schools, colleges and then the job market and the housing market.

We are, at least in the last few years, starting to recognize that in fact the baby boom will finally impact the Social Security system. So, I think for those demographic phenomena where the people have already been born, we need to accommodate those changes.

I think that in the long run, you are right that we do need to set goals, but on the other hand, we do need contingency plans. We need to make those contingency plans on the basis of our best assessment of current trends, and of course that is enormously variable. We don't know what family size will be. We don't know anything really about illegal immigration. But on the other hand, I think we are better off planning in the long run on the basis of some reasonable projection of population than not planning at all because we haven't established goals.

Mr. **Akaka**. Dr. Engels.

Mr. **Engels**. Mr. Chairman, in my remarks so far I have come off very much on the side of planning and coordination and the modeling necessary to get there, and made it sound very easy and doable. It is not.

I'm not sure we can build models that can tell us that much about what should or will happen. I would like to reinforce something that Bob Parke just hit in passing. I am not really sure that we should have a totally coordinated approach. In many cases, I am very much in favor of checks and balances both politically and intellectually. I would hope that someone is looking over my shoulder from a research standpoint and will hold my feet to the fire when I come up with inappropriate models or results. I would hate to see a centralized projection system dictating policy. I would hope that we would build in some checks and balances in that regard.

Mr. **Rainey**. I would like to just add one more thing.

Mr. **Akaka**. Sure.

Mr. **Rainey**. With regard to setting goals, that is also one of the things that is hard to do, especially in a pluralistic society like ours. What may be an appropriate goal from my point of view may be a completely inappropriate goal from your point of view.

We get the problem of competition among different groups with different purposes so that the actual setting of any kind of operational use of a goal may become such an involved process that it becomes very difficult to actually achieve.

Dr. **Kunofsky**. I would suggest that setting population goals is neither more nor less difficult than developing a national energy policy nor any other national policy about which there is enormous controversy. [Laughter.]

It is certainly true that with population, as well as with energy policy, setting the policy doesn't insure that the future will turn out to be the way we want. What seems to be happening now is that in the vacuum of national population goals we plan using the Census Bureau's medium current trends projection, which is better than planning on no basis at all. Once we get down to the State and local level I think what happens is that the decision is made to appear to be purely a technical one.

People say, "Oh, we don't have to talk about population at all. We rely on our technical staff to produce trends." In the case, I think there is an inappropriate shifting of political responsibility to the technical staff which neither has the capability of nor the desire to set local population goals.

Mr. **Akaka**. Dr. Serow.

Dr. **Serow**. I would just like to say that on the goals it always strikes me as being difficult. I think it is much more difficult to manipulate human behavior than we realize. There are so many countries in Western Europe, for example, who have instituted family allowance schemes or something of the sort which were, at least initially, designed to raise fertility which, of course, didn't.

I think if we are going to develop a goal, I think we ought to try to think of what means if any there are to make it possible to implement this goal.

Mr. **Parke**. I have heard two things about goals here that interest me. One is the suggestion that Mr. Engels made of setting goals for analytical purposes and then doing the modeling to see what it would take to get there. Some very useful examples of that sort of utilization of goals in projections is contained in the report of the Commission on Population and Growth and the American Future, which made use of Tomas Frejka's analysis of the consequences of taking ZPG literally—they would have been catastrophic. I think that sort of analysis is very much to be encouraged and we do very little of it.

I think everybody who makes projections knows the literal truth of what Mr. Rainey said—projections aren't true. But, all the official agencies that generate projections seem to act as if they could be true, and they can't be. Even the materials circulated by this committee talk about having more accurate projections. I am not sure I trust the assumption about the use of projections that underlies that.

The other thing I would like to say about goals is that we have to anticipate that we may feel very urgent about some goals that we don't worry about right now. I was impressed by Charles Westoff's analysis in March/April 1978 issue of Family Planning Perspectives. He reviewed the fertility decline over the last 20 years and the factors that he feels are responsible for it, and to him it is a real possibility that within—he didn't give these numbers, but I think it is implicit in the Census Bureau's projections—20 or 30 years, with the birth rate in this country continuing to stay at something like the level it is at, we are going to be faced with actual decline in the total population of the United States. That is an extrapolation from an existing level of fertility.

Population decline in 20 or 30 years—that is a long time away. Why get worried about it? I wouldn't suggest getting worried about it. It seems to me though, if one is thinking about contingency planning, 20 or 30 years hence this country may (1) be very up tight about the prospect of population decline and (2) have on hand no competent evaluation of potential policies for doing something about it.

The evaluation of such policies could be started right now. We could start looking at the implications of turning immigration on and off to make up for declining births. We could start examining what the implications might be of childbearing incentives on a considerably greater scale than the European countries have attempted.

It seems to me the analysis of policy instruments that we might in the future want to consider is something that we ought to take seriously now.

Mr. AKAKA. Mr. Rainey.

Mr. RAINEY. I would like to add one more thing on this. For a long time, there was a lot of discussion about urban and rural bounds, and it was a peachy concept. People said that this was our goal and it was dandy as long as you didn't have to say what it meant.

A regional bias and an area bias get built into most Federal programs somewhere, either by the Congress in the criteria for funding distribution or as a matter of administrative discretion. The question of goals, it seems to me, is whether or not that regional bias ought to be explicit at the outset so that we say that this program is expected to be neutral insofar as the way that it affects the interregional migration of people and industry or it is expected to encourage movement in this direction, so that it is known at the outset. That seems to be important to the kinds of coordination efforts that we are looking for.

So, rather than having that bias implicit and unsaid, I would rather see it said at the outset that it is suppose to have that kind of an impact.

Mr. AKAKA. I found Mr. Parke's comments very interesting when he pointed out that maybe we should look down the road at turning immigration to our country off and on. We know from projections that the population in the world, for instance, will double in approximately 25 years. There is a suggestion here that, though the world population will grow, the population in the United States may not grow at the same rate. This means, as you suggested, that if we have a decline in population, we might at that time have to turn on immigration. That is something to look forward to, Mr. Parke.

Mr. **Parke**. That is not entirely the speculation, Mr. Chairman. At least, if it is, it is speculation that has an official blessing. The latest national population projections that have come out of the Census Bureau make it very clear that a continuation of something close to present fertility levels would result in a decrease in the total size of the American population in roughly 30 years if we continue immigration at the current rate. Immigration does a fair amount to hold up the level of the population growth. Though Census didn't publish the figures, it seems clear that without immigration and with continuation of current fertility levels, we could have negative population growth in 20 years.

That doesn't scare me. However, the experience of other countries that have gotten close to this situation is that they get very uptight about it, and the best documentation of that has been provided by Dr. Teitelbaum in his publications.

Dr. **Kunofsky**. I would like to respond to some of the statements you made. It seems to me that we cannot at this hearing now explore all the issues involved in looking ahead 30 or 40 years. One of the difficulties that we face is that on one hand we have planned on the basis of projections which have been made by technical staffs, and on the other hand we have also had what seems to me to be an inadequate public discussion of what the trends actually are and what the policy options then might be.

I think one of the difficulties with Dr. Westoff's paper and the substantial national publicity it got was that there are serious questions that can be raised such as the fact that illegal immigration adds an unknown amount to the projections and also that the country has not had any sort of debate on a formal basis recently and certainly not on the congressional level, although the Commission on Population and the American Future did approach the issue of what we would like to see in the long-term trends in population.

I have been very disturbed that much of the response to Dr. Westoff's article has been: Clearly population decrease is a bad idea; let's start looking at incentives; let us start looking at raising immigration levels. These conclusions are made without a thorough analysis of whether or not we as a country would be happy with a situation of stationary or decreasing population.

I believe the most appropriate place for that analysis and discussion would be in the Congress. It could take into account all the various demographic trends including the ones that Dr. Westoff did not include—as well as the ones he did include which are, of course, very real—as well as the issue of what should our response be.

I am very concerned that we sometimes in the media tend to avoid the analysis and simply jump to conclusions that, of course, we would reject the idea of either a stationary or a decreasing population.

Mr. **Akaka**. Here is another question for the panel. As you stated, Mr. Parke, Mr. Rainey has made some statements on this matter. In his testimony, Mr. Rainey referred to the bureaucratization of new or good ideas. He uses this term in reference to the environmental impact statement, the 701 planning program, and the biennial growth report. The question to the panel is what would be the major benefits and disadvantages of requiring "population impact statements" for Federal programs?

Also, while you are thinking about that, Mr. Rainey mentioned in light of this bureaucratization of new ideas that it ends with no significant impact.

Mr. **WELLBORN**. I will take a stab at the impact statement. We are beginning to get a proliferation of requirements and proposals for impact statements of various kinds—environmental impact statements, inflation impact statements, urban impact statements, and so forth.

I think one of the important things we have to keep in mind is whether or not that kind of activity, the kind of work that goes into that, will as Mr. Rainey suggests become routinized to such an extent that it is done sort of by rote.

But, more than that, if it is taken seriously and used, then it requires some procedure for putting that kind of information into a decisionmaking process and I have problems about the kind of additional bureaucracy that would have to be created in order to review the impact statements, to disseminate the information that would be coming from then in any kind of useful way.

Dr. **KUNOFSKY**. Environment impact statements are now required to include discussion of the population assumption used and the consequences to a community. So, I think to a large extent at the local level some analysis of the population impacts of, say, major energy development or new water project are really available.

I share your concern that we are starting to produce more and more impact statements that perhaps no one reads and certainly fewer people might even respond to. However I think, there is one area where a population impact evaluation is clearly needed and that is in the analysis of immigration policy.

One of the things that seems to me to not have been taken into account in any determination—and I am talking about legal immigration policy here, primarily—is the effect of immigration at various levels of U.S. population growth. Since legal immigration now constitutes, at least 25 percent of the annual population increase, it would seem to me that any national review of immigration policy such as, for example, that suggested by Congressman Eilberg, should include an evaluataion of the population impact.

National legislation dealing with the availability of family planning and abortion services might well also have some projection of what the impact on U.S. fertility might be .

Mr. **AKAKA**. Dr. Serow.

Dr. **SEROW**. In regard to population impact statements, my observations have been that, especially when they are done for fairly small areas, usually there is an elaborate model constructed or used in some fashion which require vast amounts of data for small areas which are not available, so that dummy values have to be plugged in or obtained from somewhere.

Without appearing to be unduly cynical about the whole process, it seems to me that it is fairly easy for anyone to create just about any impact that one would want just by making one specific kind of assumption or another.

Most of these models are extremely sensitive to the kind of assumptions that are made—certainly rates of labor force participation and things like this for example make a big difference.

To my way of thinking a lot of these statements look very elegant, but don't necessarily have any basis in reality. One person's assumption may be just as good as someone else's and there is no way of knowing what really is going to happen, especially when you are talking about something in a very small area.

Dr. **KUNOFSKY**. I have a recent case study of that. Last Sunday, I ran several workshops as part of a National Science Foundation funded program in Denver on the Clean Water Act. Someone from a rural part of Denver told me that there were two projections for his region: one showed a moderately decreasing population; the other showed a tripling of population within 20 years. [Laughter.]

He asked me which one he should use. I suggested that I had no idea but perhaps he should use the one that got him the greatest Federal contribution. [Laughter.]

Mr. **WELLBORN**. Excuse me, may I add one more thing?

Mr. **AKAKA**. Sure.

Mr. **WELLBORN**. One of the things that impact statements do is also to stimulate—or maybe that is not the right word—to give rise to litigation from a variety of sources. It makes me nervous to think that there is still one more that could generate litigation on matters of policy but it might be handled in a different form other than the courts.

Mr. **AKAKA**. Well, here is another question for the panel. A number of private industries have responded to the changing age structure of our population by adapting their products for different age groups. For example, Gerber is now making baby food for the aged and Johnson & Johnson is promoting baby shampoo for adults.

The question is: Are there any planning lessons which the Federal Government can learn from the experience of private industry?

Dr. **KUNOFSKY**. Clearly, yes. [Laughter.]

Mr. **RAINEY**. There are a couple of lessons both on the positive and the negative side. One, I think that private industry does a better job in marketing research in figuring out who is out there and what do you do if there is no one around to buy buggy whips anymore.

On the negative side, we have found out that good marketing has a tremendous feedback effect on the way the economy works and what happens to the environment. That is, if they can decide that they are going to sell more cars to people, we have more pollution to deal with.

They do that in an atmosphere where profit motive obviously is most important to them and not the side effect of that kind of exercise.

Mr. **AKAKA**. As a result of demographic change—both the aging of our society and the changes in the geographical distribution of the population—many Government funds and commitments similarly must be shifted. For example, HEW is faced with declining school enrollments and an expanding elderly population in need of more services.

Do HEW and other agencies have the flexibility to reallocate the budget among their own programs? What will be the major problems facing the Government in trying to make these shifts in limited resources? Another question is how effective will sunset provisions be? How can we prevent major disruptions? And, finally, since we may continually experience short-term fluctuation in fertility which would require continuous expansion and contraction of services for various age groups, can we build flexibility into those programs to respond to these fluctuations?

Maybe that question would be best to respond to by Mr. Rainey or Mr. Wellborn, but it is open to the panel.

Mr. RAINEY. Well, the major kinds of demographic changes that have been discussed—the aging of the war babies, the decline in the birthrate, and the impact that has on, if you will, the demand for Federal programs—are at least easier to predict over an extended period of time.

The amount of flexibility that the agency has at its discretion, I don't think is as important, for we will set the allocation of funding between programs for the aged and programs for school assistance.

That is something the Congress could adequately handle in its oversight and in the proper exercise of the sunset provision in legislation. The regional distribution question is harder to predict; it also has sleepers in it and big changes can take place pretty fast. That is where flexibility might be more adequately provided at the agency level if there were explicit goals to guide the agency in using that greater flexibility.

Mr. WELLBORN. The Congress might be interested in defining some guidelines that would indicate the range of flexibility that an agency, in exercising its discretionary authority, could use to respond to the kind of regional uncertainties that Mr. Rainey has referred to.

Mr. RAINEY. If I could just state an example of that—the ink was hardly dry on the Public Works and Economic Development Act of 1965 which was designed for rural areas, when the cities started to burn. The agency needed desperately to respond to the need to put investments in central cities where there was high unemployment and where they didn't have the tools to do it.

Central cities didn't need sewers as rural areas did, or at least in the same way, and it was very, very difficult to try to adjust that kind of rigid rural program to meet the urban needs suddenly thurst upon us.

Mr. ENGELS. Mr. Chairman.

Mr. AKAKA. Sir.

Mr. ENGELS. Some of the trends that we have been discussing are very fickle and changeable, but nonetheless, there were enough leading indicators that the rural shift that Mr. Rainey was just discussing should not have come with quite as much surprise to us as it did. Now the leading indicators may be pointing in the opposite direction. For example, there is some indication that the rapid rural growth might have slackened. At the same time, we are beginning to pick up some cues from data at the Bureau that the cities may not be in quite the doom and destruction condition that we have been indicating for them.

I would also like to echo Dr. Kunofsky's comment that the country has been the victim of some colossal of bad judgment and lack of response on the part of agencies to fairly obvious patterns as they emerge.

For example, in earlier years, I had the misfortune of having to project enrollment patterns once in the State of Washington. The State superintendent of public instruction was incredulous when I first began to tell them that the first grade was going to start to decline in 6 or 8 years. They simply wouldn't believe it. Fortunately, I was right. [Laughter.]

The point is that they just would not respond, not that they didn't have the ability, but they just would not believe it.

Dr. Kunofsky. An additional, problem to be dealt with is the aging of the population, one that was pointed out very clearly in a report recently done by economist Alan Sweezy of the California Institute of Technology for Zero Population Growth.

He examined the effect of the changing age structure, according to the Census Bureau's medium projection, looking at the cost of education and health care for the young versus the cost for the retired. In 1976, total private and public expenditure for these two items was $109 billion by the young and—those under 20—and $35 billion by the old—those 65 and over. If, in 1976, we had had the age distribution projected for 2030-2050 these figures would have been $86 and $57 billion respectively. The young would thus have consumed $23 billion less and the old $22 billion more of health and educational services.

He did point out that one difference is that much of the cost of raising the young is borne voluntarily by individual families through private expense while much of the cost of caring for the aged is borne publicly through taxes. And, while the numbers may come out to be equal, the political impact of shifting the burden from private expense to public expense might be difficult.

He did conclude though that since we do have several decades to deal with the problem we would be far better off starting to think about it now than waiting until the cohort of 1946 hits the social security system.

Mr. Akaka. I have a question for Dr. Serow. You have noted that while the Federal Government has established a Federal-State Cooperative Program for Population Estimates (FSCP), it has not provided financial assistance. Mr. Engels has announced that a subcommittee of the Interagency Committee on Statistical Methodology has recommended Federal financial support to the States for applied population research.

Will the availability of Federal funds enable States to improve their data collection activities and will it approve State and local estimates?

Dr. Serow. I would have to say I hope so to both answers, although I honestly can't prove it. It would seem to me that having a little extra leeway is going to be very beneficial to most State agencies. I know in our case it certainly would be.

I think what this would do would be primarily to allow people to specialize in the agency in a particular aspect of the estimates type work. For example, where now most of us tend to serve as jacks of all trades and while we would like to think we are masters of maybe one or two, a lot of our local constituents would perhaps disagree with that; it would seem to me that this would enable us to make a more concentrated effort than has been possible in the past.

I, for one, am delighted to learn of this recommendation.

Mr. **Akaka**. Here is another question to you. You discuss data needs, and mention in passing the problem of timeliness of the data. Do you feel that existing data are tabulated and made available in a timely manner to be of most benefit to the users?

Dr. **Serow**. What sort of data do you mean, sir?

Mr. **Akaka**. This is existing data.

Dr. **Serow**. Do you mean demographic data produced by the Census?

Mr. **Akaka**. Yes.

Dr. **Serow**. It would be nice if numbers could be made more timely. For example, we are frequently asked for estimates for population for 1978, whereas we are not quite ready for estimates for population for 1977. I think the problem that we face and I suspect the Bureau of the Census faces as well in terms of coming out with information as current as possible is that there is a certain built-in timelag before you can produce an estimate or a projection because you need certain pieces of input data.

For example, in producing a population estimate for 1977, you need vital statistics for 1976, and in most cases, certainly in the case of our Vital Statistics Agency, it takes them quite a while to process the data which I think is understandable.

While there is the possibility for reducing timelags or making the data more timely than they are now, the amount of time we are talking about is really relatively small—perhaps a matter of 3 to 6 months. I would like to add in terms of timing issues that the local review for the 1980 census that the Census Bureau is instituting, should be a great help in making data timely to the local agencies as well as hopefully improving the quality of enumeration in 1980.

Mr. **Akaka**. Mr. Engels.

Mr. **Engels**. There is one observation in my written testimony that also bears on the same issue that you and Dr. Serow both have raised. It has come to haunt us lately that the data you are speaking of, and here I can't be discreet, lack both timeliness and quality. That is, the data are late and frequently are of poor quality.

The time that we used to spend on preparing better kinds of methodology and reviewing the results in a more comprehensive fashion now is spent repairing the basic data instead. It is both frustrating and makes us very nervous that in this day and age when you expect improvement in things such as this, they seem to be degenerating instead. It has already begun to affect the quality and timeliness of what we are doing, and I suspect that it will even come to affect the allocation patterns that they are used for.

Mr. **Akaka**. Mr. Parke.

Mr. **Parke**. In ,1973, the National Center for Health Statistics conducted the National Family Growth Survey. That was supposed to be the Federal Government assuming responsibility for conducting, through an official statistical agency, the kind of surveys of childbearing histories, contraception, and so forth that were pioneered in 1955 and conducted every 5 years by private scholars up until 1970.

Mr. Engels, correct me if I am wrong. Precious few substantive reports from that 1973 survey have appeared in print. Methodological reports have appeared. Those could have been written without the data. There have been papers presented at professional meetings. There have been papers prepared by private scholars on contract with the National Center for Health Statistics, some as long as 2 years ago. They have not appeared in print.

This survey was designed to provide the United States with updated intelligence as to what is happening in this rapidly changing field of fertility. We aren't getting it.

You did not correct me.

Mr. ENGELS. No.

Mr. AKAKA. Let me ask a final question of the panel, particularly of Dr. Engels, Mr. Parke, Mr. Wellborn, and Dr. Kunofsky. Dr. Serow, you are also welcome to answer. The Office of Federal Statistical Policy and Standards has oversight authority over Census and the Bureau of Economic Analysis. However, all three of these agencies are under the Chief Economist at the Commerce Department and are in fact parallel on the organizational chart.

The question is do you feel the Office will be limited in its oversight abilities because of this situation?

Dr. KUNOFSKY. I recently read the material issued by the Department of Commerce in setting up that unit and at least in writing we were assured that the Office of Federal Statistical Policy and Standards would be independent and would evaluate other branches of the Department of Commerce with the same objectivity and authority that they plan to excerise for other agencies of the Federal Government. I hope that is the case.

Mr. ENGELS. Mr. Chairman, that Office and the people who are a part of it are not particularly shy and I suspect will let us know when we ought to do something differently. I trust that we will respond appropriately. [Laughter.]

I suspect that they will not necessarily rule with a heavy hand, but they will have an impact, yes.

Mr. RAINEY. Mr. Chairman, that is a fairly recent move as you know. It dated only, I think, from the past year. Probably a more important question is whether or not statistical oversight has been exercised very well from any place over the past nearly 40 years since the Office of Management and Budget was given that kind of authority, including reviewing questionnaires.

It seems to me that that kind of management oversight from the Executive Branch has been on the decline over a long period of time and the Office of Statistical Policy and Standards, both when it was located in the Office of Management and Budget and now, has undertaken a comprehensive analysis and planning program for Federal statistics. No matter whether it is in the Office of Management and Budget or in Commerce, it needs substantial support in order to get that kind of reform through.

Mr. AKAKA. Mr. Parke.

Mr. **Parke**. For the past couple of years, I have chaired the Joint Ad Hoc Committee on Government Statistics, which is an activity of nine professional associations that have a strong interest in Federal statistics. The committee includes the principal professional societies in statistics, political science, sociology, economics, and so forth. One of the major concerns our committee has had is the deterioration Mr. Rainey described in the ability of the Federal Government to conduct oversight over the proliferation of statistical activities.

The acts which established the forms review authority and the statistical coordinating authority were passed in 1942 and in 1950, and in the period since then we have had an explosion of statistical and research activity both in the Federal Government and by contract by the Federal Government with outside organizations.

That same period had seen a considerable diminution of staff devoted to the maintenance of standards, to the encouragement of professionalism, to the updating of concepts and procedures, to the utilization of statistical and technical innovation, and Mr. Rainey is quite right.

The establishment of the Office of Federal Statistical Policy and Standards is not the establishment of new functions. That is where the President's people parked the part of the former Statistical Policy Division that they were able to shove out of the OMB. It is in a location that raises questions in my mind about the ability of that unit to exercise oversight over, say, the very considerable statistical activity of the Department of Labor.

To my way of thinking, you don't really need to coordinate the Census Bureau and BEA. Their staffs have careers that cross the lines of those agencies. They know each other. They talk to each other. I don't see them needing coordination.

What I see is in excess of 100 statistical activities spread across all departments of the Federal Government, with proliferation of statistical activity, vastly increasing statistical and research budgets, and nobody in charge at the top. Nobody seeing to it that the statistical and research programs at some point are forced to address questions that transcend the interests of particular agencies. It is a sad situation.

Mr. **Akaka**. Well, I thank you very much for your prepared testimony and comments today. All of this will be very helpful to us. I particularly thank you for addressing the issue of planning for Federal programs and how Federal policy relates to planning for population change at the State and local levels.

On behalf of the committee, I want to thank you very much for your time and effort in appearing here and presenting this to us.

All of what you have said will be in the record and it will help us determine legislative action in the future. I hope you can be proud of that. It will provide us information that can help us make decisions.

I also want to praise our chairman, Mr. Scheuer, of the Select Committee on Population for his phenomenal leadership in bringing us along since January which was when we organized this year. Since then, we have held numerous hearings—hearings which have been very, very successful.

I would like to praise him for that. Also, I want to thank our staff for the outstanding job they have done in helping us set up and arrange these hearings. I would like to mention particularly Michael Teitelbaum who is the staff director and Ann Williams who is with my task force staff and others who are here on the staff who have worked hard at making all the preparations.

I am personally grateful for that.

[Witnesses excused.]

Mr. AKAKA. If there are no other comments to be made, I adjourn this hearing.

[Whereupon, the hearing adjourned at 12:33 p.m.]

ADDITIONAL QUESTIONS ASKED OF THE PANEL BY THE CHAIRMAN

Question 1. Dr. Peter Morrison has suggested to this Committee that a biennial report, similar to the Annual Manpower Report of the President, be prepared on population with data interpreted and related to issues of concern to policy-makers. He specifically suggested that the Census Bureau's Annual Population Profile could be expanded in this way.

Do you think such a report would be useful to policy-makers and fulfill the need for demographic analysis?

Would it be advantageous to have people who collect the data (for example, the Census Bureau) also analyze it, or would this create a conflict between objective data collection and policy analysis of data?

What specific agency should be given the responsibility for preparing such a report?

Answer of Mr. Kenneth D. Rainey: No new major Presidential Report should be required. The Committee should instead emphasize the importance of better demographic information for policy-making in a way that strengthens and extends some of the existing reports already required of the President, including the Annual Manpower Report, the Economic Report, and the Urban Growth Report. I am not aware of the present situation, but a previous President was, at one time, delinquent on some thirteen major reports that were required by one piece of legislation or another. The problem is, as I pointed out in my remarks, That preparing these reports tends to become bureaucratized, and production takes precedence over utility. The need for better demographic analysis and assessment of its implications for policy was one of the major reasons the Congress originally asked for the preparation of the National Growth Report, which has now become the Urban Growth Report. An expanded and strengthened growth report could meet the needs of policy-makers. The major way to strengthen the Growth Report, the Economic Report, and the Manpower Report as policy analysis tools is to make sure that the bureaucracy and the President know that someone is listening and that the reports are not merely being produced to meet a legal requirement and then are filed away on a shelf.

A second part of the first question was whether it was incompatible for those who collect data to analyze it. The question here is one of the level of that analysis. It has been very useful, in the past, for agencies, such as the Bureau of the Census and others, to not only publish raw data in the form of tables and computer tapes, but to also analyze and summarize the major trends and add to them the forecast of what might happen in the future. One such report, done after the 1960 population census, but, unfortunately, not done after the 1970 census, was "People of Rural America." Such reports bring data together in a form that is usable by policy-makers and those on their staff. These reports have, and should continue, to fall short of telling the policy-maker what they should do about trends, and population. The third part of the first question is what agency should be responsible for preparing a demographic report. My previous remarks have been that I do not believe that such a report should be required. But, rather, that the existing reports should be expanded and utilized more extensively. It is possible, however, that if the Growth Report was expanded that it could be usefully produced by the Domestic Council, or made part of the responsibilities of a new, independent commission such as the one proposed by the Commission on Supplies and Shortages.

Answer of Dr. Judith Kunofsky: A report describing and evaluating population trends should be of great value to policy-makers if prepared and promoted in a way that satisfies their needs. The Biennial Report on Growth and Development, which has been prepared by H.U.D., has in each edition included a section on population change. The discussions have generally been inadequate, both in terms of content and interpretation. An annual or biennial Population Growth and Distribution Report could be very significant in its influence on national policy if it included the following three types of analysis:

First, discussion of current and foreseeable trends in the growth and distribution of U.S. population. This discussion should include projected changes in age structure, illegal immigration, and fertility levels lower than currently exist, in addition to the usual subjects one would expect.

Second, identification of those Federal programs expected to be impacted in a major way by the identified trends. This would include the effect on schools, the labor force, housing market, social security systems, and natural resources. The adequacy of various natural and economic resources to meet projected needs would need to be evaluated.

Third, evaluation of the trends themselves, statement of the Administration's position, and recommendations for needed legislative or administrative change.

The first type of analysis can be done purely by those with demographic expertise, such as, for example, the Bureau of the Census. While demographic analysis is needed for the second and third groups of issues I have identified, the primary responsibilities must lie with those who have expertise in assessing the impact of population changes on environmental, social, and economic variables. Such analysis, which clearly cuts across departmental and disciplinary lines, should be located in an Office of Population Policy within the Executive Office of the President. Such an Office, with responsibilities to include preparation of a report as I have recommended, is proposed to be established in H.R. 13223, the population policy legislation introduced on June 21 by Representatives Harrington and Ottinger.

Answer of Mr. Richard A. Engels: A biennial report on population like the Employment and Training Report of the President would be very useful to policy-makers who now, for the most part, must do their own demographic analysis of population data. However, an expanded Population Profiles report would duplicate much of the material published in the Social Indicators volume and could not be prepared very promptly. Although Social Indicators does not, as it now exists, include very detailed analyses, it could be expanded to cover issues of concern to policy-makers. Since Social Indicators is broader in scope than Population Profiles, it would provide the policy-maker with a more complete data set and analysis of that data. Also Population Profiles is unique in that it provides data on population which are very timely: it is published 3-4 months after/the year for which the data are given. To incorporate any detailed analyses in that report would result in much greater delays in making the data available. I do not believe that any conflict would exist between objective data collection and analysis at the Census Bureau because the Bureau's responsibility is to collect data and not to implement or set policies.

Answer of Dr. William Serow: I agree with Dr. Morrison that such a report would be very useful to policy-makers; whether or not it would fulfill the need for demographic analysis is more difficult to say and would depend on the scope and content of the report. In terms of the individuals who will analyze the data, I feel that it would be best to separate the data collection land analysis stages. This does not really mean, though, that an agency such as the Bureau of the Census would be disqualified from the analytical stage provided that a clear distinction could be made between the data collecting and data analysis components of the Bureau. I don't feel that the choice of an agency is as important as the charge that is given to that agency and, secondarily, the skill mix of agency employees. The agency would need to be given a clear directive to examine closely all demographic changes and indicate the probability and implications of continuation of these changes. The persons preparing the report need to be knowledgeable not only in demographic analysis, but also in the manner in which demographic change affects the social and economic structure of the nation, and in the policy tools available to enhance or mitigate the effects of demographic change.

Question 2. An issue of concern to this Committee is the failure of most Federal agencies to apply demographic analysis to specific policy areas. Dr. Thomas Espanshade told us that a number of states have established Population Commissions which have played a major role in analyzing for policy-makers, the impact of certain population trends on various policies. He recommended the establishment of a similar agency within the Federal Government.

On the other hand, Mr. Parke has recommended that demographers be employed by the major policy-making agencies to conduct such analysis.

Which of these approaches would be the most effective in promoting the use of demographic analysis in the Federal government?

If a population commission, or demographic center were to be established, where should it be located?

Answer of Mr. Kenneth D. Rainey: I have a pronounced bias in favor of reinforcing the analytical capabilities of existing departments and not creating new units. However, if an overall analytical unit were to be created, it should be placed within the Executive Office of the President or the Office of Management and Budget, and closely linked to OMB's present responsibility for budget and program analysis.

Answer of Dr. Judith Kunofsky: Demographic analysis needs to be undertaken both within major policy-making agencies and within a body with coordination authority over all the former. Each federal agency needs internal demographic expertise to identify the impact of projected population changes on that agency's programs and policies. Each agency should also be evaluating those changes from its own perspective and making recommendations for changes in the trends. Implementation of these latter changes may be outside the agency's responsibilities; for example, a determination by one of the resource agencies that water supplies will be inadequate for projected populations in a region does not mean that agency has authority to implement any programs which would reduce inmigration to the region. Therefore, there is a need for an Office of Population Policy in the Executive Office of the President to develop and coordinate population policy, taking into account the needs and analysis of all other federal agencies, Congress, and the public.

As proposed in H.R. 13223, this Office would have the following responsibilities:

1. to assist and advise the President in the preparation of the Population Growth and Distribution Report,
2. to gather and evaluate information to determine the likelihood of and effect of federal programs on the achievement of zero population growth,
3. to make recommentations to the President regarding changes needed in various Federal programs to achieve population policy goals,
4. to develop and recommend national policies to foster and promote population stabilization to meet the environmental, social, economic, health, and other national policies,
5. to conduct various studies, analyses, and evalutions relating to population changes.

Answer of Mr. Richard Engels: Agencies that have a genuine need for demographic analysis are handicapped by not having their own staff to work in that area. I have watched any number of attemps to centralize research and related work in the name of efficiency, only to see a great deal of agonizing, inconvenience, lack of response and timeleness, and eventually failure. Groups that have justified need for work in this area need it done well and quickly.

Arrangements such as this should be undertaken only, however, with the understanding that the agencies' work will be primarily technical with only limited policy translation involved, they should undertake only modest analytical projects, such groups should be established only with adequate funding and administrative support to attract well qualified people (contrary to popular belief, inadequate analysis is worse than none at all), one central agency should operate as a parent agency or major focus of demographic data collection and analysis in general, and there should be a complementary group whose primary mission is coordination and translation to policy. The Census Bureau has served as the major data collection and distribution center for some time. Although it could also operate as an analytical and policy arm of the government, we have shown little disposition to do so, and in all fairness, such an extension might well detract from data collection and distribution. The companion policy agency should do enough applied work to keep abreast of the current literature and trends, but should not undertake short-term investigative work such as that done by the Congressional Research Service and the General Accounting Office. Perhaps the best location would be in the Office of Management and Budget.

Answer of Dr. William Serow: I do not see these two alternatives as being mutually exclusive. While I find the idea of a population agency attractive, as long as it is established for an extendede period, I do not think it realistic to assume that this new agency would take over the demographic activities of policy making agencies. I would envision the role of the new agency as one combining coordination and broadly-based long-run analysis. If such an agency is to be effective it would have to be free of the sorts of pressure that would require constant putting out of shortrun "brush fires." For this reason, my view of the location of such an agency would be an independent agency, perhaps a government-sponsored "think tank" proximate to, but not physically in, the metropolitan Washington area.

Question 3. In response to a question regarding the capacity of the Federal Government to plan for population change, Dr. Peter Morrison suggested to the Committee that there were two sides to the problem—one technical, and one political. On the technical side, there is a flourishing of long-range demographic analysis at the Census Bureau so that the data base for decision-making is improving. However, on the political side, he suggested that there is a great need for building public recognition and focusing on long-range problems resulting from population change.

Do you agree with Dr. Morrison's assessment?

If so, do you have any suggestions as to how we could build the public recogntion and support for long-range planning for population change?

Answer of Mr. Kenneth D. Rainey: Yes, I agree that the major need is for greater public awareness of long-range problems resulting from population change. The best way to achieve such an awareness is to utilize the information, and analysis, already available to the government such as the product of the White House Conference on National Growth and Development and the President's Urban Growth Report. These can be translated into a form that would be usable by popular media, such as television. The Academy for Contemporary Problems assisted the White House Conference in the preparation of a multi-screen slide show on national growth trends and their implications that has been widely acclaimed and has been suggested for use in such places as amusement, and national, parks where the public that does not ordinarily read Presidential reports could be exposed to these long-range problems.

Answer of Dr. Judith Kunofsky: I agree very strongly with Dr. Morrison that data analysis and demographic forecasting has improved substantially, while too little focus has been placed on overall population policy. The establishment of the Select Committee by the House of Representatives, though, was certainly recognition by the House that population issues should no longer simply be evaluated in a fragmentary way. I believe that the political will is being developed to first, take demographic trends into account in order to accommodate those trends and second, assess the trends themselves and develop more explicit population policies. I recommend that the Select Committee on Population schedule hearings on the issue of U.S. population policy. These hearings should include discussion of population goals for the United States as well as consideration of what types of population policies, whether explicit or implicit, are the most appropriate.

In addition, I urge the Select Committee to endorse H.R. 13223 and to work with those standing committees to which the bill has been referred to ensure the rapid movement of the bill through the Congress.

Answer of Mr. Richard A. Engels: It is true that many current dislocations due to inadequate planning for population changes could have been avoided had there been more public recognition of the results of past population projections. Population projections receive far less public attention than do economic forecasts. In part, this may be due to the long-range nature of population projections compared to the more immediate impact of economic forecasts. Yet the very long-range nature of population projections provides the time to make adequate planning for forthcoming trends feasible.

Perhaps public recognition and support for long-range planning for population change could be obtained by providing means which enlarge the publicity given to population projections and their practical consequences. A set of reports or press releases by the Census Bureau on the consequences of projected trends for various institutions might be one way to bring home the importance of these population projections to the public.

Answer of Dr. William Serow: I think that Dr. Morrison's observation is quite accurate. The general public's recognition of long-range problems resulting from population change is probably quite limited until the issue surfaces at the local level. Despite greatly expanded media coverage of population issues, both domestic and international, casual empiricism suggests to me that many individuals either have no recognition of long-range problems, or that their recognition is erroneous. For example, I am frequently asked whether or not it is true that "we are now at ZPG" or "our population is declining." While strides in the area of population education have been made, it is in this area that sustained efforts need to be focused to heighten public awareness and recognition of the issue.

Question 4. The need for information by Federal, State and local governments is increasing. In his written testimony Dr. Serow said that administrative records, such as driver's license files are now being used to develop data on local populations.

With wider use of such techniques, do you foresee increased conflicts with the "right to privacy?"

Answer of Mr. Kenneth D. Rainey: There is a need here for great care in order to avoid doing damage to both people's right to privacy, and the need for better analysis of current trends. Files such as those as driver's license. automobile registrations, utility hook-ups, and others can help provide insight on local population changes in a way that is unattainable in any other way. A critical question regarding privacy is whether the files are made available to government or private users in such a way that it allows them to identify an individual. So long as the aggregate data is used and the person cannot be identified, the privacy question can be avoided. Government agencies certainly should not make such files available for private profit-making uses. They should also not be required to make them available to government agencies for uses other than that for which they were originally intended. This will require, as we now know, a careful scrutiny of internal and external security agencies themselves by both the courts and the Congress. The distinction is a simple one, even if it is difficult to apply. Local income tax information is a very valuable economic indicator for a small area, but analysts and forecasters have no right to the individual income tax records even if the governement does not produce appropriate summaries, and aggregate data on their own.

Answer of Mr. Richard A. Engels: Regardless of efforts to preserve strict confidentiality when dealing with various administrative records, there is still the question of whether or not the rise of such records for purposes other than that for which they were intended is an invasion of privacy. In the case of the Census Bureau's access to Internal Revenue Service records, these data were made available only through special legislation exempting the Bureau from the Privacy Act provisions. The reason for this exemption was that the Bureau's work with these data was statistical in nature and these records were used in an aggregated form such that there could be no examination of individual records.

If access to other data sources such as driver's licenses is developed at either the Federal or State level the same strict stipulations ensuring confidentiality must be adhered to. These stipulations should include special exemption legislation, and the requirements that all data be aggregated and specific for statistical procedures only.

Answer of Dr. William Serow: My response to this must be from a demographic point of view, rather than a legal one. The care taken thus far by agencies utilizing these administrative records for demographic purposes has been extraordinary in terms of protecting confidentiality. From a demographic perspective it is the actions and behavior of groups of individuals that are of interest, certainly not the tracking of the behavior of any identifiable persons. While there may well be conflicts with the right to privacy in some areas, such as credit investigation, my feeling is that there is no such conflict for purposes of demographic analyses.

Question 5. As a result of metropolitan sprawl, there is a greater need for cooperation and co-ordination among local governments.

What can the Federal Government do to facilitate cooperation among substate units of government?

What about the relationship of the Federal Government to State and local governments?

Answer of Mr. Clay Wellborn: Since the passage of the Housing Act of 1954 the Federal Government has sought to facilitate cooperation and coordination among local governments in metropolitan areas by providing financial assistance for metropolitan comprehensive areawide planning. Moreover, Federal assistance has been considerably expanded since that time. Other kinds of areawide planning have been made eligible for Federal assistance, and the level of funding for planning assistance programs has grown more or less steadily since the 1950's. Not only has the Federal Government provided financial assistance for metropolitan areawide planning, it has acted to establish an institutional mechanism to facilitate intergovernmental cooperation and coordination within metropolitan areas. Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 (the so-called Model Cities Act) and title IV of the Intergovernmental Cooperation Act of 1968 as implemented by Office of Management and Budget Circular A-95 have led to the creation of the "Project Notification and Review System," through which individual jurisdictions within a metropolitan area are given the opportunity to review and comment on one another's federally assisted activities before those activities actually receive Federal funds. Comments from the local governments within the metropolitan region are considered by Federal agencies in reaching their funding decisions.

The Project Notification and Review System functions through local metropolitan area councils of government—voluntary associations most of whose members are local elected officials—which are designated as "A-95 clearinghouses" by OMB.

Councils of government, which were organized as vehicles for local intergovernmental cooperation and coordination and which are now found in nearly every metropolitan area of the country, have been assisted by the Federal Government through a variety of planning assistance programs and through the establishment of the A-95 process. Indeed, some observers assert that the A-95 process has been a primary catalyst in the spread of councils of government.

Analogous State clearinghouses have been established pursuant to the Intergovernmental Cooperation Act of 1968 and OMB Circular A-95 .

The Federal Government itself also submits in many instances to A-95 review or to analogous processes with regard to its own projects. Executive Order 11512, for example, instructs the Administrator of General Services to consider as part of the Federal building development process how well a proposed project conforms to local and areawide comprehensive planning.

Answer of Dr. Judith Kunofsky: The question of the appropriate cooperation among substate units of government and the relationship of the Federal Government to State and local governments is a very broad one, and one for which no general answers can be given. In the area of population estimates and projections, greater cooperation has been occurring and should be encouraged.

In my written testimony I urge the Select Committee to support the proposed regulations for the Construction Grants Program of the Environmental Protection Agency regarding population projections. Implementation of these regulations would lead to substantially greater cooperation among all levels of government on the issue of population projections and I think would also contribute greatly to the development of more consistent, well thought out, local, regional, state, and national growth policies than has ever been the case.

Answer of Mr. Richard A. Engels: On the issue of substate cooperation, perhaps the best method for the Federal Government to facilitate cooperation at that level is to encourage the expansion of the operations of the Federal-State Cooperative Program (FSCP) from the State to the substate level in a type of Federal-State-Local Program. This kind of expansion has already occurred in three of the FSCP agencies. These agencies have invited county and municipal level review of the estimate input data for population estimates as well as the resulting estimates. This organizational procedure does not preclude a local government's direct access to the Federal level, only that the basic unit of coordination would be through a State agency. Efforts of this type, however, would be difficult without a funding arrangement for the FSCP agencies in order to allow them the additional time and staff needed for such an expansion of their work programs.

The technicalities of this program would vary by State. In fact, many local governments are already cooperating with regional councils of government which represent a larger area. Organizations such as these regional councils would probably aid cooperative efforts greatly by reducing to a more manageable level the number of governments directly involved. This would be particularly helpful in States, such as Illinois, where there are approximately 3,000 local governmental units.

Because of the Census Bureau's role as a data collector and producer, we have undertaken several programs to establish better cooperation and relationships with State and local governments.

The most obvious overture came with the advent of the Federal-State Cooperative Program in 1967. Since that time we have established close working arrangements with agencies in 48 States. This cooperation was further expanded during the past year with the direct involvement of approximately half of these agencies who elected to assist us in the local review procedure instituted for the revenue sharing estimates.

Aside from the functions of the FSCP, Bureau staff members participate in public courses offered through both the Census Bureau and the Applied Statistics Training Institute of the National Center for Health Statistics. These courses relate to the procedures and techniques used at the Bureau in the production of various types of population data.

In addition, we have increased our participation at diverse national, State, and local meetings. During the past month, representatives of the Population Estimating Staff have attended the U.S. Conference of Mayors and the Colorado, Minnesota, Washington, and Wyoming State municipal league meetings. We also are available to attend meetings at the request of specific localities and, in fact, recently sent staff members to St. Louis, Missouri, to discuss the population estimates with various representatives of the metropolitan area and Congressional offices.

We are hopeful that the local review procedure begun this past year for the revenue sharing estimates will continue to encourage localities to participate freely in the review and challenge of the population estimates. This procedure, in turn, should increase the interaction among Federal and local governments, as will the separate 1980 census local review procedure which is currently being developed whereby local officials (or agencies designated by local officials) will have the opportunity to review the initial population and housing counts before they are finalized by the Census Bureau.

Through all of these procedures we are attempting to make our staff and data openly available to all local governments, regardless of size, and by so doing, increase the degree of cooperation and coordination of efforts.

Answer of Dr. William Serow: I would like to provide a single anwser to both of these questions. The Federal Government has already supported the creation of substate planning and development districts across the nation. These are regional groupings, usually with common or similar economic bases and problems. A great deal of work in this area from a demographic perspective has already been accomplished by the Census Bureau-FSCP, the local review of revenue sharing estimates, and the local review procedures being established for the forthcoming decennial census of population. In terms of a continuing relationship, I would like to suggest that the State-Local Cooperative Program (SLCP) established in Virginia and New Jersey serve as a model for other states. This program permits the State government to deal directly with local governments on demographic matters and, in turn, fosters cooperation among local governments in dealing with the State. Similarly, the state can act as an intermediary through which local governments can deal with the Federal Government on matters of demographic concern.

Question 6. During the course of these hearings, we have become aware that past population projections have been way off base. For example, the Actuary of the Social Security Administration projected in 1946 that the U.S. population would be between 147 million and 191 million in 1975. In fact, the Census Bureau estimated the 1975 population to be around 213 million.

Is there anything to suggest that our ability to forecast population growth more accurately will improve?

Also, we have recognized that there are certain costs to society associated with non-planning; but might there be even greater costs of planning for events that may not occur?

In other words, are there any distinct advantages to long-range planning?

Answer of Mr. Kenneth D. Rainey: We now think there has been some settling down on major demographic factors such as births, deaths, and foreign migration. Therefore, population at the national level, at least, seems more predictable to us. War, major attitudinal shifts on family size preferences, and substantial changes in the general economic well-being of the population are possible and could make our present projections very wrong. However, it now seems that internal migration is much more difficult to project than the overall population. This is the major present concern. The second part of the question asks whether there are appreciable costs involved in "non-planning." I don't think so. Information and analysis are very cheap when laid alongside the cost of ignorance. It is quite possible, of course, that even with more extensive use of demographic analysis that some facilities could be built that turn out not to be needed. But, the danger of this seems much less likely than it is in our present situation. The only major disadvantage with long-range planning that I can see is not using it, but paying for the cost of having it done.

Answer of Dr. Judith Kunofsky: The art of population projections is constantly being advanced, and at the national level I have confidence that projections now being prepared will be less "off base" that those done in earlier decades. I cannot say to what extent any of them will square with reality. Clearly, though, if no projection is prepared to even attempt to account for illegal immigration, all projections will be too low, at least in terms of the migration component. Perhaps the 1980 Census will reveal the extent to which this factor needs to be taken into account.

Population projections at the sub-national level are much less "reliable," and always will be. Since the *use* of projections at the local level to determine major infrastructure investments has the effect of helping to bring about the trends it foresees, I do not believe there is or theoretically can ever be a unique "current trends" projection. The ability to forecast is simply an interesting intellectual game unless the forecasts are used to accommodate or change the trends.

I do not believe there are any great costs to "planning for events that may not occur." Most planning that involves the real expenditure of money or change in programs is for the next twenty or thirty years. Long-range planning for decades beyond is revised as the years pass, and when it is finally *used* will not be very far off the mark. We clearly need long-range contingency planning for the social security system, resources, the economy, etc. If the trends change, we have lost little. If that future does come true, we will be spared many expensive (in terms of money and human well-being) problems.

The second use of long-range planning is for assessment of those long-range trends which could be affected only if we begin many decades ahead. Population change is one of these, one for which we need to develop goals and compare those with the trends. Even if we are not successful at first in realizing population goals, the process of so attempting will improve our understanding.

I therefore see no real costs of planning, compared with not planning.

Answer of Dr. William Serow: To answer this question one needs to distinguish between knowledge and assumptions about the course of the components of population change-fertility, mortality and migration. At the national level, it is the first of these that is most subject to considerable change and, indeed, past projections have usually erred in their specification of the fertility component. While fertility rates are difficult to forecast, the existence of birth expectation data from the Current Population Survey conducted in June allow demographers to analyze trends in desired family size, as well as child spacing and timing. As long as the attitudes behind the expectations remain more or less the same, the long run, or cohort, fertility levels implicit in these data are likely to be reached. Shorter-run (period) fertility fluctuations as a result of changes in spacing and timing can and will occur, but these should not be used to discard projections unless there is evidence of a more fundamental change in the longer run rates.

Mortality on the other hand has long been viewed as being easier to project and, perhaps for this reason, has not received as much attention. However, if fertility remains low the importance of the mortality component will increase. At present, there is some evidence of decreased mortality among the older population. These trends must be closely monitored and possibly incorporated into projections, if the changes are of such magnitude to suggest further aging of the nation's population, especially among the older population.

In terms of the costs of planning or not planning, a great deal of the answer hinges on the level of geography under consideration. At the national level, we are relatively certain about the size of any future cohort once we know the initial size of that cohort. Hence, if one is discussing the year 2000, all persons 23 and over in that year have already been born. Hence planning activities can be based on a relatively firm number of households, members of the labor force, and so on. Even in terms of school enrollment, it is wise to remember that the birth cohort of 1978 will not enter elementary school until 1984 nor high school until 1992. Hence, up to those years our needs for these youth-related services are known with a fairly high degree of precision at the national level.

In brief, I would have to say that at the national level the costs of non-planning greatly outweigh the risks of planning if one recognized the differing degree of reliability of age components of a population projection.

At the state and local level it is difficult to be as sanguine. Right now we are just coming to realize that conventional demographic methods, which are perfectly appropriate for national populations, are simply inadequate to deal with small-area projections. At present, it would seem that economic-demographic interactive models are the wave of the future, but much work needs to be accomplished in this area.

ADDITIONAL QUESTIONS ASKED OF MR. CLAY WELLBORN BY THE CHAIRMAN

Question 1. With current low fertility rates many metropolitan areas are experiencing population decline for the first time. The "management of decline" seems to be a new catchword for discussing problems of contracting cities and declining school enrollment—Are there special institutions needed to manage decline?

Answer. It can be argued that although the problems of decline present special problems to local governments and to metropolitan areas as a whole, there already exist adequate institutional mechanisms for dealing with the emerging problems. Whether the emerging problems are being adequately met by the existing institutions is open to question. State government and general purpose local government provide the basic framework for managing local problems such as decline, and they have available to them a variety of Federal assistance programs which can be used for that purpose. State governments also have within their power to create or to enable the creation of metropolitan institutions with governmental authority to manage area wide growth, development, or decline. There are only a few examples of metropolitan governments, however. The Twin Cities Council in Minnesota is a frequently noted example.

Question 2. How effective have regional planning bodies been in facilitating cooperation among units of government, and coordinating various Federal programs that deal with the regional growth question?

Answer. Observers of the various types of metropolitan planning bodies have pointed more frequently to weakness and failure than to strength and success. Weakness of regional planning bodies is usually the result of their not having clear powers for action; they are authorized merely to advise local governments that lie within their planning area. Effective metropolitan planning is most likely to appear in those metropolitan areas where there is some form of metropolitan government exercising powers granted by State law.

Question 3. In your testimony you mentioned several proposals that create special units within the Executive Office of the President to provide interdepartmental coordination and staff support in important areas such as (Council) Environmental Quality, the Office of Telecommunications and so forth—How successful have these offices been in promoting coordination in their policy fields?

Answer. Although this is a question of great practical interest, there is insufficient literature evaluating the effectiveness of special units of the Executive Office of the President for a judgment to be made.

ADDITIONAL QUESTIONS ASKED OF DR. WILLIAM SEROW BY THE CHAIRMAN

Question 1. The President's Reorganization Project on the Federal Statistical System will be making recommendations to improve the relationship between data collectors and policy-makers—What recommendations would you make to this organization staff in the statistical area?

Answer. About the only recommendation I could make in this regard is that policy-makers seek to determine the availability of data before requiring the utilization of such data for program purposes. This is frequently a problem at the state and, particularly, at the sub-state level. To cite just one example, our agency was approached by the balance-of-state CETA agency requesting detailed post-censal estimates of disadvantaged persons, at the county level. In one instance, that of the handicapped, we were able to render no assistance due to the absence of any data (other than that from the 1970 census on disabling conditions as an impediment to labor force participation).

Question 2. Many state demographic centers have played an active role in analyzing population data for use by policy-makers within state governments.

Does the Tayloe Murphy Institute do extensive analysis for the Commonwealth of Virginia and for local governments?

If so, how important and effective is this work?

Answer. Tayloe Murphy Institute and its predecessor, the Bureau of Population and Economic Research, has a long history of research activity into the population of Virginia. During the Second World War, a Population Study Board was established in the Commonwealth which produced numerous studies and analyses of demographic trends in Virginia, beginning as early as the settlement of Jamestown in 1607. During the 1970's there have been very few facets of demography in Virginia which have not been subject to TMI-based analyses. These have run a wide gamut from simple descriptive studies of relative population change and redistribution to more complex analytical work dealing with the determinants and consequences of population change in the state. This work has recently culminated in the publication by the University Press of Virginia of The Population of Virginia: Past, Present and Future.

In my view, this work has had a considerable influence in the State, regional and local government. The Institute is frequently asked for advice on demographic matters and estimates of population produced by TMI are used by the State government to allocate funds, and by regional agencies to assess operating costs from constituent local governments.

Question 3. What can the Federal Government do to improve the data on households for substate units?

Answer. The Federal Government has two choices that I can envision in this regard. The first, which is more costly and probably less realistic, is further expansion of the Current Population Survey to the sub-state regional level. The second alternative which I believe to be feasible, is the development of estimating techniques analogous to those employed to estimate current total population and which we have modified to estimate population by age and by race at the city-county level. The need for household data at the sub-state level is very real, but at present our knowledge of appropriate means to develop post-censal data is in its infancy at best. The Federal Government could assist interested States and localities in this endeavor by providing technical support and possibly even financing research activities in this area.

ADDITIONAL QUESTIONS ASKED OF MR. KENNETH RAINEY BY THE CHAIRMAN

Question 1. In your testimony, you suggested that foresight should be rewarded rather than required.

Do you have any specific suggestions on how foresight could be rewarded?

Answer. The problem with rewarding foresight, or rewarding good analysis and good local planning, has been that administrative agencies very naturally shy away from the difficult task of saying that this city is doing a good job, and this city is doing a bad job. To avoid this, they require elaborate proposals and reports for Federal grants. What I had in mind in suggesting rewarding foresight was a set of incentive grants where not everybody gets a proportionate amount of money, but, rather, where good local planning and administrative innovation are rewarded with a steady flow of funds. Perhaps a major grant bonus could be rewarded to a small number of communities that have done an outstanding job in local planning, and in coping with change. The burden of selection should be placed on administrative officials. Those communities should not be required to prepare extra applications and submittals in order to recieve these bonus funds.

Question 2. You have mentioned in your testimony that a monolithic kind of national planning is not likely to work.

Would you elaborate on this?

Answer. Monolithic planning would involve some sort of national plan that controls the use of resources and capital investments, not only as to amount, but as to physical location. Such decisions are not now exclusively in the Federal Government's hands or even in the hands of any branch of government in the United States. What happens is the result of millions of private and public decisions, debates, and compromises; and that is how it should be. However, even in those countries that do not have our Constitutional tradition or Federal system, and where most of the money investments can be controlled by a single national agency, economic growth has not been successfully spurred. A basic principle in planning is that one cannot plan effectively for what you cannot control, influence, or predict. The failure of many plans is that they do not distinguish between what the planning agency can do, and the forecast of action made by independent agencies and individuals. The State of Ohio, for example, cannot plan the economy of Ohio; it can only plan for governmental responses to certain kinds of economic conditions. Plans that failed to recognize this distinction became "wish lists" rather than action plans. This is what many national plans have become.

Question 3. With current low fertility rates many metropolitan areas are experiencing population decline for the first time. the "management of decline" seems to be a new catchword for discussing problems of contracting cities and school enrollments.

Are there special institutions needed to manage decline?

Answer. No new agency is needed. However, Federal, State and local agencies need to develop ideas on how to react to decline. What kinds of changes in government programming are required? What are the most effective ways of cutting government costs in a situation of population decline? It seems that while government costs go up sometimes disproportionately to population growth, they do not react in a similar fashion in the face of population decline. We do not know about the sensitivity of government to population decline. Is the lack of cost decreases proportionate to population decline the result of government inaction, or a change in character of the needs of the people, which keep costs increasing even while the population declines? Major research and analysis is needed in this area.

Question 4. How effective have regional planning bodies been in facilitating cooperation among units of Government and coordination among various Federal programs dealing with regional growth questions?

Which regional commissions have been the most effective?

Should these bodies be strengthened or eliminated?

Answer. A number of very insightful analyses have been done of these programs such as Martha Derthicks's "Between State and Nation" and James Sundquist's "Making Federalism Work." These and other evaluations have suggested that achieving coordination in programming with Federal line departments have been difficult, just as it has been difficult to get Federal line departments to work together on programming.

The economic development and regional problems have changed substantially since the regional commission legislation was enacted, and the commissions should be either changed substantially, or eliminated. It is unlikely that either the Congress or the President would support the elimination, so the question then becomes, what kind of changes would be the most constructive. The major tasks for commissions in the future will be to encourage intergovernmental, public, and private cooperative action in regional development; and to permit the adjustment of Federal programming and priorities in ways that will best meet the different needs of the regions of the country. A new and broader governing board will be needed, one that will bring together Federal, State and local officials with private leaders. Some distinction, however, will need to be made between those that have the authority to allocate funds and those who serve in an advisory capacity. These commissions will have enough money to make a difference. Unfortunately, money does talk. One critic of the Federal Government's action with respect to the Title V regional commissions said that these commissions were given just enough money to fail. However, the Appalachian Regional Commission did receive substantial appropriations, and, nonetheless, it frequently has had difficulty in securing cooperation of Federal line agencies. Congress and the President do more than give lip service to the idea of cooperative and coordinated regional planning and programming. They must require it of Federal agencies, and thusly, they conduct the necessary oversight hearings to see that the Federal agencies do respond to the regional needs and priorities as developed by the regional commissions in their planning and programming.

State and local governments must also do more than simply participate in the dividing up of federal funds. There has been a lot of log rolling in the regional commission program, with every participating State getting something that it wants. But, there have been enough examples of States adjusting their own programming and budgeting priorities as a result of participating in a regional program to see that the commissions can play a very constructive role in the right circumstances. The response is very brief. It does not adequately cover this very difficult question, but studies are now underway as a part of the President's Reorganization Project to provide a more definitive evaluation of these programs to the Congress.

Additional Questions Asked of Mr. Richard A. Engels by the Chairman

Question 1. The President's Reorganization Project on the Federal Statistical System will be making recommendations to improve the relationship between data collectors and policy-makers.

What recommendations would you make to the reorganization staff in the statistical area?

Answer. It is vitally important that the Nation's policy-makers have the appropriate statistical data necessary for proper planning and administration of their major programs, for correct policy decisions require relevant data of good quality. Since the Federal Statistical System is quite properly a decentralized system, one of its main advantages is that many of the statistical activities are located in departments with substantial programs and missions, and there exists a close relationship between the type of policy information needed and the type of statistical data that is produced. However, it is essential that statistical data remain objective. The connection between data collection and policy decision must not give the possible image or the reality of any policital manipulation of statistical data. In consequence, the continued existence of strong independent statistical organizations is vital to the continued integrity of the Federal Statistical System. Therefore, my recommendation to the President's Reorganization Project on the Federal Statistical System would be to direct their work primarily toward the improvement of the coordination of our decentralized statistical system. For a strong central policy coordinating agency is required to insure that the statistical data produced by the statistical system are policy relevant, accurate, and objective.

Question 2. During the hearing you suggested that Census Bureau data is getting worse in terms of timeliness and quality and consequently, that more time must be now spent in repairing the basic data.

If the Congress were to appropriate funds for additional staff at the Census Bureau, would this help alleviate this problem?

How much additional staff would be needed for the Census Bureau to "catch up"?

Answer. The problems relating to the timeliness and quality of the data used by the Bureau for population estimates cannot be solved by additional staff. These problems exist at the State and local levels where the data are collected and produced. Funds for additional Bureau personnel would, perhaps, enable us to spend more time repairing data series; however, we are more interested in improving the initial quality and timeliness of the data in the agencies collecting this information.

Some effort should probably be made to impress upon these various State and local agencies the importance of these data with regard to the estimates program. Also, additional funding should be appropriated for the Federal-State Co-op agencies which are now "bootlegging" the estimates activities on their regular work program budgets. This funding would enable the FSCP agencies to devote more staff and program time to the concerns of the FSCP which, in turn, should result in more timely, more carefully reviewed, and, consequently, better estimates.

While multiple sets of population projections are useful in presenting the actual range of possible outcomes given the uncertainties involved in making population projections, the mandated use of conflicting projections for planning or funding purposes is not satisfactory. Yet the problems of reconciling the very different methods used in the demographic projections from the Census Bureau and the economic projections from the Bureau of Economic Analysis are technically difficult and may well require a major research program.

Currently the Office of Federal Statistical Policy and Standards is working through both the Federal Committee on Statistical Methodology and the Statistical Policy Coordinating Committee to determine an appropriate procedure for handling federally-generated State population projections for use in federally mandated planning and funding allocations.

Question 3. Dr. Serow has noted that we have unnecessary duplication of state level population projections and that often the projections made by the Bureau of Economic Analysis and the Census Bureau do not agree.

Do you agree that this duplication is unnecessary?

What progress has the Office of Federal Statistical Policy and Standards at Commerce made in eliminating this duplication?

Answer. First, let me note that in projections, unlike estimates, it may be useful to have more than one series of population values. Since none of us can really foretell the future, there may be several scenarios that appear equally likely at the time projections are made. To deal responsibly with these uncertainties, an agency making projections may develop more than one set of projections using different assumptions. The forthcoming set of State population projections from the Census Bureau has three different series of State projections, for example. Although multiple sets of projections may cause confusion for planners or policy-makers, they may also serve as a set of checks and balances. Inappropriate models or results are made more apparent when checked against other projection series.

Other sets of State projections may arise from an alternative type of methodology. As the Director of the Census Bureau pointed out earlier, the Census Bureau projections use a demographically-based cohort-component model incorporating separate assumptions about levels of fertility, mortality, and migration to provide data by age, sex, and race for each State. On the other hand, the Bureau of Economic Analysis has produced State population projections as a byproduct of their employment and earnings projections for States without considering the separate demographic components explicitly. The resulting data provide population totals without a breakdown by age, race, and sex.

Question 4. The House appropriations bill calls for a $25 million cut for the Bureau of the Census for fiscal year 1979.

What programs will be most affected by this cut?

Answer. The proposed cut would have a serious impact on the Bureau's ability to conduct the 1980 census consistent with the required levels of accuracy, quality and product usefulness. Its destructive nature is much greater than is suggested by the 16.6 percent magnitude because it must be applied to a limited part of the budget. A large portion of the FY 1979 budget consists of fixed costs for operations and materials which cannot be postponed without putting at grave risk the Bureau's ability to conduct the 1980 census in accordance with the law. In FY 1979 the questionnaires must be printed, the mailing pieces assembled and labeled, address lists developed, field maps prepared, procedures finalized, training materials written, tabulation and publication specifications developed, computer programs written, systems tested and perfected, processing operations determined in extensive detail and numerous procurement actions need to be taken including the identification of district office space and the initiation of procurement actions for equipment, furnishings and supplies for these offices.

Thus, the proposed budget cut would have to be met primarily through program eliminations and modifications, and virtually all of these are not recoverable in later years. The specific programs that would be impacted by the proposed budget cut are shown below.

Eliminate the census of lower Manhattan from the dress rehearsal program	$0.7
Eliminate coverage improvement planned for rural and semirural areas	12.4
Reduce the community services program by 40 percent	1.1
Eliminate the semifinal boundary update for places of less than 2,500 population	.7
Reduce the amount and quality of training of field staff for address listing activities	.9
Eliminate one-third of the public information preparatory activities	.4
Reduce staff activities on data produce design and dissemination	.6
Eliminate virtually all activity on the proposed disability follow-on survey	1.6
Delay certain logistical operations	5.8
Total	24.2

Question 5. With enactment of the general revenue sharing program, has the pressure on and criticism of the Census Bureau increased substantially?

Answer. All four data elements used in the Federal general reveune sharing program (population, per capita income, adjusted taxes, and intergovernmental transfers) are produced or collected by the Census Bureau. Since revenue sharing funds are allocated on the basis of these elements, it is unavoidable that pressure on and criticism of the Bureau would increase, probably in direct proportion to the amount of the grant allocation. We are, however, aware of the problems and shortcomings of our estimating techniques. In view of this, the local review program was established to provide all local governments having justifiable and documented challenges with equal appeals opportunities. Initially, we expect the review program to increase public pressure; however, in the long run this interaction should lead to productive cooperation and working relationships between the Bureau and the localities.

During the local review period for the July 1, 1976, population estimates, we received approximately 1,400 letters from local officials. The disposition of all these letters is still ongoing; however, of the 1,400 letters received, 491 of the challenges were accepted, 563 denied, and 268 were informational only.

Question 6. Both Federal revenue sharing and block grants are based on population estimates. As a result many communities have become concerned with the accuracy of these estimates.

Do we need a separate ombudsman to arbitrate when the Census Bureau estimates are inconsistent with those produced by State and local governments?

Answer. We do not feel that a separate ombudsperson is necessary to arbitrate differences between the population estimates developed by the Census Bureau and those produced by State and local governments. First of all, communities which have disagreed with the Census Bureau in the past have usually contacted Bureau staff members to ascertain the data and methodology used and/or to put forth their own data and methods for review and possible use. It was just such interchanges that led to the inception of the Federal-State Cooperative Program for Local Population Estimates in 1967.

With the advent of the State and Local Fiscal Assistance Act of 1972, a challenge procedure was set up as part of the Office of Revenue Sharing's Data Improvement program. This challenge procedure requires challenging governments to provide documentation supporting a different population figure to the Office of Revenue Sharing. That agency in turn would forward these materials to the Census Bureau where they would be reviewed along with the derivation of the estimate and a decision made as to whether or not a change in the population estimate was justified, and, if so, the amount of the change. The decision and the materials would then be returned to the Office of Revenue Sharing and that agency would communicate the decision to the challenging community. This challenge procedure is still in existence today and constitutes one of several appeals processes available to the various governmental units.

Because of the frustration felt by some communities in having to deal through a third party in the challenge process, the Census Bureau, with the development of the July 1, 1976, population estimates to be used for Entitlement Period 10 allocations, instituted a local review procedure. This local review process entails providing each of the 38,000 general purpose local governments (excluding States) with the preliminary estimate and a guide to reviewing it. The guide also provides information to assist the community in preparing proper appeals. The local review appeals process is of an informal nature with the challenges being conducted through correspondence, telephone communication, and/or personal visit. The review process at the Census Bureau for the local review is essentially the same as that used for the Office of Revenue Sharing's challenge procedure.

At the suggestion of the House Subcommittee on Population and Census of the Committee on Post Office and Civil Service, the Census Bureau is currently developing regulations governing a formal challenge procedure. Simply stated, these regulations will allow local governments to challenge the population estimate in a formal manner. The regulations are being formulated now and will be released through the usual channels when completed.

In addition, the Census Bureau has recently contracted with the National Academy of Sciences to review the Bureau's estimating techniques and make recommendations for possible improvement of the Bureau's estimates program.

Given all of the avenues available to a local governmental unit to challenge the population estimate and to work with us directly, the establishment of an independent ombudsperson would appear to be unnecessary at this time.

Question 7. Could you tell us about the Dual Independent Map and Encoding File (DIME) Project at the Census Bureau which is used for small area estimates or projections?

Answer. Census tract population estimates using the Dual Independent Map and Encoding File (DIME) have been proposed for the City of Hartford, Connecticut. These estimates would be produced by matching data files from the Social Security Administration and the Internal Revenue Service with the geographic detail from the Census Bureau's DIME file. At this time, however, the project is only in the proposal stage and no work has begun on its implementation.

Question 8. The Congress is constantly legislating new data requirements which must be filled by the Census Bureau.

Do you feel these demands for new data to administer programs have created problems for Census?

Answer. In an attempt to fulfill data requirements for several pieces of legislation, the Census Bureau has included questions on the Census schedule which have led to sharp criticism of the Bureau from both the statistical and private sectors. Possibly the best illustration of this relates to the ethnic question proposed for the 1980 census. This item is being included in order to gather detailed data on ethnic self identification in response to several pieces of social legislation. Problems arise, obviously, from the large number of ethnic combinations that are not included on the schedule, and which may also be of little or no legislative importance.

Another problem with legislative data requirements is the lack of time permitted for research relating to the techniques and resources available to produce these data. Since there is usually not time between the introduction of legislation and its implementation, data of questionable or at least unverifiable quality may have to be used.

Question 9. In his testimony, Dr. Serow suggests that the role of the mid-decade Census in meeting the data needs of State and local governments will depend on its content and extent of coverage.

Specifically, how will the mid-decade census improve the data base for State and local governments?

Answer. If the mid-decade census is conducted as originally conceived, there will be a complete enumeration of the population including at least information on age, race, sex, and household size. This information would afford State and local governments more current data for use in all levels of programs. This would include Federal grant programs, as well as local planning efforts.

A mid-decade census would also serve to improve the quality of the population data that are produced intercensally by all levels of government since the various estimating and projecting methods can be more frequently tested, and the base data used will be more timely and relevant.

However, if a large scale sample survey is conducted in lieu of a complete enumeration, the data for small areas will not be as precise and reliable and may, in fact, be virtually useless for small area applications. This should be an important consideration since approximately 50 percent of all incorporated places in the United States are cities of less than 1,000 people, but are nevertheless in need of current demographic data.

ADDITIONAL QUESTIONS ASKED OF DR. JUDITH KUNOFSKY BY THE CHAIRMAN

Question 1. In his testimony, Mr. Rainey suggests that the 701 Planning Program, which was intended to encourage localities and State governments to engage in planning has not been particularly effective. He argues that it became too bureaucratized so that production of the plans took precedence over the meaning of the plans.

Do you agree with his assessment?

Answer. I have never worked with the "701" program directly, and therefore, I have no experience with which to evaluate the program.

Question 2. It has been suggested by some individuals involved in population that the functions and responsibilities of the Deputy Assistant Secretary for Population Affairs should be expanded and moved out of the Public Health Service at HEW.

Do you agree?

If so, where should this authority be located and what functions should this expanded office assume?

Answer. The Sierra Club supported the reestablishment of the position of Deputy Assistant Secretary for Population Affairs on a full-time basis because of our belief that the many programs in D.H.E.W. that affect population change need the D.A.S.P.A. for their coordination and maximum effectiveness. These programs include the delivery of family planning services; research into contraception and the economic, sociological, environmental, and psychological aspects of population change; educational programs dealing with family size motivation, opportunities for women, and human sexuality. These functions could not be performed except as a full-time responsibility within D.H.E.W.

We do support the establishment of an Office of Population Policy, as described above, whose responsibilities would be much broader than those of the D.A.S.P.A.

Question 3. You discussed the EPA regulations requiring the use of BEA projections in applying for construction grant funds. Also, you suggest that local governments use projections which reflect goals rather than current trends.

Has the EPA requirement generated any concern about Federal involvement in local decisions about population growth?

Do you see this as a potential problem?

Answer. The Environmental Protection Agency's proposals for changes in the way population projections are to be prepared for use in E.P.A.'s Construction Grants Program under the Clean Water Act have not met with universal approval. However *any* local projection used by the Federal Government affects local population change; the question is how to develop an appropriate process for the development of such projections.

Neither the status quo nor E.P.A.'s proposals constrain local growth goals. Communities have always been able to build smaller sewage treatment facilities than a projection would indicate, and have always been able to build larger ones. In the latter case, a community would need to pay the additional construction costs. This seems appropriate since there is no reason *federal* tax dollar need be used to pay for growth which may be only *local* policy. Within the limits the law allows, communities have always been able to establish population policies and work for their realization.

The controversy that has been generated seems to be over the amount of money to be made available rather than on population growth *per se*.

Question 4. During our hearings on Tuesday, June 6, a number of witnesses came out firmly against a national growth policy. You participated in the White House Conference.

Do you share the view of these other witnesses?

Do you feel decisions on population growth and economic development should be left to State and local governments?

Answer. Unless I were to be told what the witnesses in Tuesday's hearings *meant* by "national growth policy" I could not comment on their opposition to it. the phrase "growth policy" is used to mean anything and everything.

Growth policy may mean many things, but I do not believe the concept is useful unless it includes population policy. The latter came up only briefly during the White House Conference on Balanced National Growth & Economic Development in several of the workshops dealing with growth policy processes. Most of the individuals were quite convinced the United States had reached or would soon reach zero population growth, or were unwilling to discuss the subject, believing it inappropriate to the theme of the conference!

Question 5. You suggest in your testimony that communities be encouraged to use projections which reflect goals rather than current trends.

Do you have any specific suggestions as to how the Federal Government could encourage this?

Answer. I would recommend four ways in which the Federal Government could encourage communities to consider developing goals for population size and/or distribution:

First, appropriate agencies should fund education of policy makers, agency officials, and the general public on the preparation and use of population projections at the local level.

Second, the Statistical Policy Coordination Committee should produce informational material describing the sub-national projections available from the Federal Government and the differences among them, and pointing out the ways in which communities might incorporate local goals into their planning and funding processes.

Third, the Environmental Protection Agency's recommendations should be quickly implemented. The proposals help clarify the political nature of the issues rather than continuing to cloud the issues by pretending they are simple calculations of non-political technical staffs. While those staffs will continue to be indispensable, the growth policy debates will then be located where they truly belong, in the political process. As discussed above, I believe implementation of these regulations would contribute greatly to the development of more consistent and well-thought-out local, regional, and State growth policies than has ever been the case before.

Fourth, adoption of an explicit population policy by the Federal Government would be very important both politically and educationally in stressing that population size and growth rates are appropriate matters for policy making at all levels.

APPENDIX

PREPARED STATEMENTS, AND ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

TESTIMONY

before

U.S. House of Representatives
Select Committee on Population

June 6, 1978

by

Charles L. Leven

Professor and Chairman, Department of Economics
Director, Institute for Urban and Regional Studies

Washington University (St. Louis)

Charles L. Leven is professor and chairman of the Department of Economics and Director, Institute for Urban and Regional Studies at Washington University. He has held faculty positions at the University of Pittsburgh, University of Pennsylvania and Iowa State University. Dr. Leven is author or coauthor of numerous professional articles and several books including An Analytical Framework for Regional Development Policy and Neighborhood Change and has served on several governmental advisory boards. A past president of the Regional Science Association Dr. Leven attended Illinois Institute of Technology and the University of Illinois and received the Ph.D. in economics from Northwestern University in 1958.

The emergence of population decline in U.S. Standard Metropolitan Statistical Areas (SMSAs), especially in the older and larger SMSAs is a very recent phenomenon in U.S. experience; it has come to be known as "metropolitan maturity"[1] The emergence of maturity is seen as leading to three kinds of social problems; 1) not enough jobs in metropolis or at least not enough of the kind that fit the skills of those who are most difficult to employ; 2) physical decay and abandonment of structures, mainly residential, but commerical, industrial and public facilities as well; 3) a fiscal squeeze on local government, mainly that of the central city, as the population evolves into one increasingly in need of services and increasingly less able to pay taxes.

It is commonly supposed that a major reason for the emergence of maturity, mainly in the Northeast and Central regions, is the redistribution of population from those areas to the South and the West, the so-called Sunbelt The problems of the Frostbelt, so this line of reasoning would lead, stem from those who can afford to flee - those with higher incomes - fleeing to the Sunbelt in increasing numbers, leaving in their wake a dwindling and increasingly disadvantaged population. The cure to this situation is seen as a reversal of the population redistribution, mainly by expanding the demand for labor through induced economic expansion in the Frostbelt, thus luring wage-earners back to the troubled mature cities of the midwest and northeast.

An alternative explanation could be provided for the same phenomenon, namely that it is the maturity of metropolis itself, stemming from deeper economic and technological causes, that has been the main stimulus of the population redistribution, with the lure of the sun and related environmental considerations as factors of secondary importance, at most.

In an ultimate sense, of course, there is bound to be some truth to both of these explanations, economic activities move to people and people to opportunities. Nonetheless, the main point of my testimony is to argue that it is the economic maturity of metropolis which is driving the inter-regional shifts in population much more than that population redistribution is the source of economic stagnation in the older areas. Determining which of these views best represents the underlying situation is important; it would make the difference as to whether public policy was pointed at facilitating or reversing the observed interregional migration.

The tendency to see maturity as a manifestation of inter-regional movement of population most likely lies in the recency of metropolitan population decline. Prior to 1950 no major SMSA had ever lost population; from 1950 to 1960 only Pittsburgh showed a loss; since 1970 many large SMSAs have lost population or shown only very small increases. But net out-migration from metropolitan areas is not a recent phenomenon, being typical of most of the larger areas at least since 1950. Until around 1970 however, the natural increase (excess of births over deaths) was larger than the net-outmigration and thus significant net increases in total population still resulted. What is recent is the sharp drop in the rate of natural increase as birth rates have plummeted, so that the population redistribution in response to maturity that has been with us for at least several decades has been revealed by the drop in birthrates as the out-rushing sea reveals the marine life of a tidal pool.

The counter-view presented here - that inter-regional movement is more a manifestation of maturity than the reverse - is based on the view of maturity as a very long-run and fundamental aspect of an emerging post-industrial society. First, the economic argument for expecting a fall in the comparative advantage of the large metropolis as a competitive production location is a forceful and compelling one. Second, the phenomenon of population dispersal has proved most persistent. Third, the emergence of maturity is pervasive throughout much of the developed world. I will comment in more detail on these three points and then close with some brief comments on implications for public policy.

The economic origins of maturity

The most immediate artifacts of metropolitan maturity are well known. The most fundamental characteristic of post-industrial society is the sharp rise in output per worker in manufactured goods as compared with services. Moreover, even within manufacturing industries themselves there has been a marked increase in the proportion of personnel dealing with information rather than physical goods flows. Another artifact has been a fairly steady drop in the costs of moving goods through most of the 20th Century; first this was a drop in the cost of moving goods between cities as the national railroad system reached full development; after World War I it was a drop in the cost of moving goods within cities as the motor truck came into common use. The cost of moving people fell first with the coming of street railways before this Century began and again, after World War II with widespread auto ownership and the building of intra- and inter-urban expressways. The costs of moving information fell drastically with the telephone, and later the radio. But these innovations did little to reduce the cost of storing, processing and most important, retreiving information that has come only in the last decade or so with the widespread use of the computer and electronic data processing.

As indicated, these artifacts of post-industrial society are well understood; so too is the resultant switch in the labor force from manufacturing to service occupations. But what is not so well understood is that the changes in the technology of production and transportation which have been the foundation of the move to a post-industrial society have themselves led to a decline in the comparative advantage of the large metropolis as a location for economic activity. Most basic in this connection has been the reduction in the need of producing enterprises for proximity to each other. In the late 19th and early 20th Century it was much cheaper to move goods between cities and people to a central work location than to move goods within cities; and it was very expensive to move information, especially within cities. This provided enormous advantages for locating production in the central district of a large metropolis, near inter-city railroad terminals and convenient to local transit lines, and most important, near the many other enterprises with which goods and messages had to be exchanged either frequently or in large volumes.

The formation of a great metropolis, of course, is the product of a number of pulls and pushes, the scale economies to be enjoyed in production being only one. The other major pull is advantages in consumption. These include things that can only be produced in large amounts for common consumption, like symphonies, zoos, advanced medical centers, etc. Many of these are still most easily available only in major cities, but television and other media extensions surely have lessened the need to go to the city for them. And even when that might be necessary, it is not really necessary to live within any very close distance to do so.

Another consumption advantage of the large metropolis is simply the greater range of ordinary private goods available there permitting both better selection and easier comparison shopping. This too continues as an important feature of metropolitan life, but with cultural homogenization and much cheaper information flow it has become a weaker pulling force. Finally, a traditionally very important advantage of metropolis is the much greater range of job opportunities typically available there. This has meant that the metropolitan resident was less likely to have to migrate as a consequence of job loss and his children could also form families more easily in the same community. Again, these advantages also persist, but like the other consumption advantages, they surely have become weaker, especially as the growth of the non-nuclear family (single-person families, childless couples, etc.) has reduced the importance of geographically based kinship, and the reduction in average family size has made inter-city migration much less of a problem.

And while the forces pulling people to major metropolitan areas seem all to have weakened the "push" factors at best have stayed the same, or perhaps become stronger. Chief among the push factors are the whole bundle of forces we have come to call "congestion diseconomies". No breakthroughs have occurred to lower unit costs of providing ordinary municipal services. If the pollution of air and water and solid waste problems have not become worse, at least the levels of degradation we seem willing to tolerate have been sharply reduced. As we have come to insist that the economically deprived at least not be deprived in their receipt of public services, the fiscal attractiveness of metropolis for both business and non-deprived individuals has diminished. At the same time security outside the home has become more of a problem in major metropolitan areas, at least for the middle-class, providing yet an additional push.

The persistence and pervasiveness of maturity

In 1901 H. G. Wells wrote,

> We have heard so much of the "problem of our great cities" ... the belief in the inevitableness of yet denser and more multitudinous agglomerations in the future is so widely diffused, that at first sight it will be thought that no other motive than a wish to startle can dictate the proposition that not only will many of these railway-begotten "giant cities" reach the maximum in the commencing century, but that in all probability they... are destined to such a process of dissection and diffusion as to amount almost to obliteration, so far, at least, as the blot on the map goes, within a measurable space of years.[2]

And so at least for someone with the penetrating vision of Wells, the forces leading to the push from metropolis coming to outweigh those pulling people and activities toward it could be seen in embryonic form as long ago as the beginning of the century.

The dynamic by which metropolitan diffusion begins, an outward spread of population with a flattening of the density gradient within metropolis, also reaches far back in time.[3] The first recording of core vs. periphery differentials on a broad scale was in the Census of 1910 when population figures were tabulated for Metropolitan Districts, the areas within 10 miles of the largest cities. These showed that in almost all cases that net movement from core to periphery was occuring. Select case studies suggest that within particular cities this phenomenon could be noted well back into the 19th Century.[4]

The symptom of maturity in operation, the net out-migration not just from the central city, but from the SMSA itself, also reaches back in time further than is commonly supposed.[5] Due to the dislocations of the 1930s and 1940s it is hard to pinpoint the beginning of this phenomenon; the moving out of people in the '30s and their moving back during WWII have to be regarded as superimpositions on longer-run historical trends. We know that out-migration became common after WWII and with sufficient retabulation of data for the 1920s it probably could be noted beginning after WWI.

In any event what seems clear is that the forces leading to the dispersal of economic activity away from the large metropolis have been with us for a long time, are deeply based in the technology of the transition from an industrial to a post-industrial society, and have been progressively reenforced by technological changes in transport, communication and information processing. This is in sharp contrast to the notion that the problems of the older SMSAs of the Northeast and Central regions are due to regional redistribution of population, mainly in response to a search for the sun and related environmental amenities. This does not mean that people are not moving South and West, but they have been doing that since the beginning of the Republic.

What is not new then, is spread of people and activities from the core to the periphery of given SMSAs, the net migration of population from the larger SMSAs to smaller urban areas, and within this context of urban-to-urban migration, of the spread of population South and West.[6] What is new is that reduced birth rates have made these movements much more obvious, that the declining SMSAs have had to adjust to absolute, not just relative decline, and that non-metropolitan areas, not just the smaller SMSAs are showing net in-migration for the first time in this century.[7]

But within this complex pattern, the fundamental role of maturity seems clear. Despite continued in-migration to the Southern-Western regions, central counties of SMSAs with over 2 million population in those regions showed net out-migration from 1970 to 1973 and even larger net-out migration from 1973 to 1976. Moreover, in-migration into central counties of Southern-Western SMSAs of from 0.5 to 2 million was modest and diminishing in the '70s. In Northern-Central regions central counties in all SMSA-size classes lost population but the losses were very much larger the larger the SMSA.

Perhaps the strongest reason for believing that it is maturity which is producing regional redistribution rather than the reverse is the pervasiveness of the phenomenon of metropolitan maturity itself. It is observable with less intensity but roughly similar outlines in Canada.[9] It is readily apparent in the U.K. where between 1961 and 1974 the 12 largest conurbations (roughly equivalent to an SMSA) lost 7 per cent of their population while the nation as a whole was growing by 14 per cent.[10] This was not associated with any particular broad regional shift within the U.K. and certainly not with any shift that can remotely be associated with the lure of the sun, the seashore, or other natural amenities. The relative economic losses of the larger metropolitan areas are also apparent through much of northern and western Europe, especially Scandanavia, Holland, and West Germany.[11] And here, too, what were only relative differences in fairly rapid overall growth have been made much more visible and even turned into absolute declines in some instances as birth rates in Europe have fallen, much as in the U.S. But again, the point should be emphasized that it is long run technological change which has produced maturity and the recent sudden drop in the birth rate which has made it so visible and so vexing; resultant redistributions of population are much more the effect than the cause of these developments.

Some policy implications of maturity.

The outline for these hearings indicates that, "...the Federal government faces the two dilemmas of whether or not to promote balanced national growth by influencing population redistribution and of whether to aid individuals and/or areas."[12] It has been the purpose of my testimony to indicate that meeting the human needs of those in declining areas by reversing population redistribution, however desirable it might appear in the abstract, is unlikely to be very effective; the technological and economic forces that would have to be overcome are powerful, persistent and pervasive.

There is no doubt that there is a regional dimension to the phenomenon of maturity in the U.S. The larger SMSAs which are most subject to maturity are concentrated in the Northeast and Central regions. And other things equal, the older more compact SMSAs are likely to be more vulnerable to decline.[13] In addition, in the U.S. the regional dimension is important in the process of economic adjustment to secure per capita income convergence.[14] But even in that regard the regional dimension of per capita income redistribution seems in large part an incidental aspect of what is really redistribution from high to low-income counties, in general.[15]

I find it somewhat ironic that public interest in influencing regional population redistribution (euphemistically, achieving balanced national growth) to combat the problems of the mature metropolis is occurring at just that point in time when real progress in adjusting to maturity seems underway. Thanks mainly to rising relative prices of new housing, decay and abandonment of inner city and near suburban properties is abating. Obviously no one likes the rising real cost of new housing, but it is unlikely that older housing could have become more attractive, and it has, without that rise having occurred. Similarly, there are many who will be inconvenienced and some who may suffer as a consequence of the sharp cutbacks in local public sector employment that are underway; but the prospects of widespread local fiscal collapse seem to have been eliminated by a willingness to cut back on services coupled with significant, but far from massive expansions in Federal aid. Even crime rates have shown recent real drops in many major cities.

One of the problems of the mature metropolis indicated at the beginning of my statement does, however, remain, and it seems stubbornly resistant to public policy attack. The problem is that of a mismatch between the skills of the disadvantaged inner-city poor and the jobs available for them there. Here, too, there is an observable regional dimension; disadvantaged and minority populations are more concentrated in the cores of large SMSAs than in other geographic sectors. Correspondingly, policies aimed at aiding individuals and areas directly in need rather than achieving balanced national growth will have a regionally observable dimension, in the sense that the resultant Federal assistance will not be randomly or uniformly distributed geographically. But that is far different from seeing the problem of the urban disadvantaged as a reflection of the emergence of regional imbalance and seeing the improvement of their lives as lying in the reversal of that imbalance.

In the U.S. at least, the problem of meeting the employment needs of the inner-city disadvantaged is further complicated by the consideration that not just jobs that pay at least minimum wages seem needed, but jobs that are meaningful and can compete with welfare possibilities that sometimes even exceed minimum wages. A recent statement of the Executive Branch, for example, declares as an objective of policy that, "Federal programs will seek ways to increase the mobility of the growing number of men and women trapped in poverty or *dead-end jobs* (italics mine)."[16] In fact, the major thrust of the President's Urban Message seems to be that we must fix things up in the cities so that things can be better for the poor who live in them.[17] And just as the phenomenon of maturity is not peculiarly American, neither is the apparent desire to treat the associated problem of skills-jobs mismatch in the inner city as soluble through geographic redirection of economic activity. Debate on the Inner Urban Areas Bill in the U.K. indicates the same kind of hope.[18] But what this hope really comes down to is the hope that enough economic activity can be enticed back to the mature metropolis to make life meaningful and rewarding for those who are there. Attempts at promoting what can be promoted along these lines are appropriate; such things as relocation of Federal facilities in central areas of large SMSAs and provision of incentives to private investors through a National Development Bank could do much to ease the adjustment which will be needed as maturity takes deeper root.

But the needs of the disadvantaged are simply too pressing and too serious for us to let ourselves believe that they can be made substantially to go away as a consequence of some regionally redistributive sleight-of-hand.

There is jut not enough of the right kind of pie to go around. For the most part, "meaningful jobs in the private sector" mean industrial jobs when we are dealing with low-skilled workers who expect more than minimum wages and prospects for advancement. There were 14.3 million employees in manufacturing establishments covered by OASI in 1949; in 1959 this had grown to 16.2 million employees and by 1969 to 20.2 million employees. Through the recession of the early '70s this number decreased and then grew back to 20.4 million in 1974; in 1975 it had fallen again to 18.4 million.[19] If we are to provide meaningful opportunities for the urban disadvantaged of the Northern and Central regions by more carefully balancing manufacturing, then this will have to mean absolute declines for the South and the West.

There is an alternative, of course; namely getting those trapped in disadvantage to be able and willing to bake more of the right kind of pie. In part this may produce some turnaround in the mature metropolis, in part it may bring more people back to the Central and Northeast regions; but it also might just mean that many more of the presently disadvantaged will wind up in suburbia, ex-urbia, or small towns--or maybe the poor themselves will simply head South and West in really large numbers. Just how to make those with deprived backgrounds, low skills and frustrated motivations more productive is not the subject of these hearings, but it does seem clear that this is unlikely to be achieved by "balanced national growth." On the other hand, if some way can be found to deal effectively with people and specific localities in economic need, metropolitan America in general, even with maturity, is likely to do quite nicely without elaborate new initiatives aimed at balanced growth, as such.

FOOTNOTES

[1] C.L. Leven (ed.), *The Mature Metropolis*, Lexington, Mass; D.C. Heath, 1978.

[2] H.G. Wells, *Anticipations of the Reaction to Mechanical and Scientific Progress Upon Human Life and Thought*, London; Chapman & Hall, 1902.

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[4] S.B. Warner, Jr., *Streetcar Suburbs: The Process of Growth in Boston, 1870-1900*, New York; Atheneum, 1962.

[5] W. Alonso, "The Current Halt in the Metropolitan Phenomenon," in C.L. Leven (ed.), *op. cit*.

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[8] V. Renshaw, H. Friedenberg and B. Levine, "Work-Force Migration Patterns, 1970-76," *Survey of Current Business*, February 1978.

[9] L.S. Bourne, "Some Myths of Canadian Urbanization: Reflections on the 1976 Census and Beyond," *Urbanism, Past & Present*, No.5, Winter 1977-78.

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[11] P.Hall, N. Hansen, D. Hay and C. Sherrin, *Final Report of the IIASA/Reading European International Urban Systems Study*, Laxenburg, Austria; International Institute for Applied Systems Analysis, 1977.

[12] U.S. House of Representatives, Select Committee on Population, "Domestic Consequences of United States Population Change," Outline for Hearings held May 23 through June 8, 1978.

[13] C.L. Leven, "Growth and Non-Growth in Metropolitan Areas and the Emergence of Polycentric Metropolitan Form," *Papers, the Regional Science Association*, Vol. XXXIX, forthcoming.

FOOTNOTES (continued)

[14] D.H. Garnick, "A Reappraisal of the Outlook for Northern States and Cities in the Context of U.S. Economic History," paper presented at Second Annual Conference on the Economic Future of the Northeast States, Harvard-MIT Joint Center for Urban Studies," January 25, 1978.

[15] H.L. Friedenberg and E. Curry, "Per Capita Income: Regional and Metropolitan-Nonmetropolitan Patterns, 1965-75." *Survey of Current Business*, November 1977.

[16] The President's Urban and Regional Policy Group, "A New Partnership to Conserve America's Communities; A National Urban Policy," March, 1978.

[17] Jimmy Carter, "National Urban Policy Message to the Congress," in *Weekly Compilation of Presidential Documents*, Vol. 14, No. 13, April 13, 1978.

[18] House of Commons, *Parliamentary Debates*, Vol. 943, No. 56, 9th February, 1978.

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U.S. INTERNAL MIGRATION: WHO MOVES AND WHY?

(Testimony Before the House Select Committee
On Population, June 6, 1978)

Julie DaVanzo

June 1978

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The Rand Corporation
Santa Monica, California 90406

ABSTRACT

With birth rates falling, migration has become increasingly important in determining whether areas grow or decline in population. Migration affects not only the number of people in an area but also their composition. By and large, people who migrate tend to be more highly qualified members of the labor force--the young, the educated, and the skilled. Their arrival tends to improve the stock of human capital in the areas to which they move, while their departure diminishes the stock in the areas they leave. Declining areas lose their most productive citizens; their tax base erodes, but public services demands do not shrink.

Migration is the means whereby people living in places where they are not fully employed or most highly valued can move to areas that offer brighter prospects. Migration is generally in the expected direction--from areas with low wages or high unemployment rates to those with high wages or low unemployment rates. Individuals who migrate improve their earnings and lessen their incidence of unemployment. For labor markets, migration is an equilibrating force.

Most migration appears to work well and to benefit the individuals and areas involved. However, a small subset of migrants and areas do not appear to benefit from migration. Some less advantaged citizens appear to base their moves on limited information and often restrict the range of potential destinations considered to those where they have friends and relatives. (This may be because their limited financial resources necessitate their relying on friends and relatives for room and board while they search for a job.) In these cases, financial relocation assistance and information about alternative labor markets might enable these individuals to broaden their range of choice and to make moves more likely to be "successful" for them and the areas they join.

U.S. INTERNAL MIGRATION: WHO MOVES AND WHY?

(Testimony Before the House Select Committee on Population,
June 6, 1978)[1]

by

Julie DaVanzo
The Rand Corporation, 1700 Main St., Santa Monica, California 90406

INTRODUCTION

With birth rates falling, migration has become increasingly important in determining whether areas grow or decline in population. Changing headcounts have important consequences for localities because their derived revenues and their representation in Congress are closely tied to the size of their population.

Migration affects not only the number of people in an area, but also their composition. Where a community gains or loses significant numbers of migrants, migration adds or subtracts distinctive *types* of people. By and large, people who migrate tend to be more highly qualified members of the labor force--the young, the educated, and the skilled. Their arrival tends to improve the stock of "human capital" in their places of destination.

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By the same token, they diminish that stock in the places they leave, a fact that has been widely recognized in distressed areas. Declining areas lose their most productive members, leaving them with a labor force that tends to be overaged, undereducated, and underskilled--the "people left behind."

My testimony focuses on the characteristics and motivations of people who move. I have drawn on a number of Rand studies to address the following questions:

1. What are the demographic characteristics of migrants? Which members of the labor force are most mobile?
2. Are unemployed workers more likely than employed workers to migrate? Do local labor market conditions influence migration decisions?
3. Do higher welfare benefits attract migrants? Are people who receive welfare more likely or less likely to move than people who do not?
4. How might a federal income maintenance program affect population redistribution?
5. How could public policy render migration more efficient for individuals and areas?

HOW MANY PEOPLE MOVE?

In a typical 12-month period, over 35 million persons--more than 1/6 of the United States population--change their place of residence. Nearly two-thirds of these moves are moves within a county, the vast majority of them housing adjustments. A little over half of the movers who cross a county line do not change their state of residence. Between

1975 and 1976, 3 percent of the U.S. population (over 6 million persons) changed the state of their residence.

Since the main concern of these hearings is with geographic redistribution of the population, and with declining and growing areas in particular, I will focus in this testimony on *migration*--moves that at least cross a county line--and will not deal with intracounty, residential moves.

WHO MOVES?

Migration is a highly selective process. The personal characteristics of migrants differ considerably from those of nonmigrants. The principal factors are those connected with the life cycle, the person's educational attainment, and his or her occupation and employment status.

Life-Cycle Patterns in Migration

Migration is often induced by transitions from one stage of the life cycle to another. Migration rates vary sharply and with nearly universal regularity according to age groups. U.S. rates are highest for people in their early twenties, reflecting the changes, adjustments, and initial commitments that accompany early adulthood. Large numbers of these people are completing their formal schooling, entering the labor market for the first time, serving in the armed forces, and marrying and forming families. These activities predispose people to move frequently until they are well into their thirties.

Changes in marital status accentuate these effects of age. Migration is closely linked in time to marriage and family formation, and the first few years after marriage are a period of frequent movement.

The dissolution of marriage through separation or divorce is also accompanied by frequent movement.

After the flurry of migration by people in their early twenties passes its peak, migration rates decline steadily as people grow older. Persons over 55 years of age are much less likely to migrate than younger people. However, the destinations that retirees flock to are quite distinctive. A considerable number of growing nonmetropolitan areas are retirement communities. These are not only in the warm climate areas we typically associate with retirees, such as Florida and Arizona, but also in the Ozarks, Northern New England, and the upper Great Lakes regions. These new waves of retirement migration are giving rise to types of public service demands to which these areas are not accustomed. With an aging population, increased pension incomes, and trends toward early retirement, it seems reasonable to speculate that retirement migration may account for a somewhat larger proportion of all geographic mobility in the United States in the future.

Educational Attainment

The propensity to migrate increases with educational attainment. College graduates are more likely to migrate than high school graduates, who, in turn, are more likely to migrate than persons with only a grade school education. The typical migrant has two years more education than the typical nonmigrant.

Race

Migration patterns differ by race as well. Nearly the same percentages of whites and blacks change their place of residence in a given year (17 percent and 18 percent respectively, for 1975-76), but blacks are more likely than whites to move within the same Standard Metropolitan Statistical Area (SMSA) and less likely than whites to move among SMSAs. Blacks have lower migration rates partly, though not entirely, because they are more likely to possess characteristics that make for lower rates of geographic mobility, such as less education.

Geographically, blacks' migration patterns resemble those of whites in a number of respects. Both groups register net out-migration from the Northeast and North Central regions of the United States. So many more blacks are moving to the South than did previously that, like whites, those moving in now outnumber those moving out. Although blacks' migration patterns, along with many of their other characteristics, have become over time more like those of whites, there is one important exception: Unlike whites, blacks have not exhibited increased propensities to move to nonmetropolitan areas. The "rural renaissance" is almost exclusively a white phenomenon.

Occupation

Whereas unskilled jobs are usually filled by local residents, highly skilled or specialized jobs tend to be filled through regionwide or even nationwide competition and recruitment. Occupational differentials in migration reflect the scope of this competition and recruitment. White-collar workers migrate more frequently than do manual and service workers. Within the white-collar category, professional workers (especially those who are salaried rather than self-employed) tend to be the most migratory. Professionals' migration not only stems from the more nearly nationwide labor markets in which such persons find jobs, but also reflect the variety of relatively short-term residences that accompany higher education and internship or other apprentice-like arrangements. The least migratory occupational groups tend to be service workers and farmers and farm managers.

Among the highly skilled a number of moves are job transfers or reassignments. Around one in five moves by professionals and two in five moves by those in other white-collar occupations are transfers or reassignments, compared with just over one in ten moves by blue-collar workers.

Apart from these occupational differences is a consistent tendency for wage and salaried workers to move more frequently than do the self-employed. This differential arises from common constraints that discourage movement among the self-employed. For example, self-employed professionals typically are entrepreneurs tied down by capital investment and a clientele built up over many years. Such specific limitations as state-based licensure for certain professions also retard interstate migration.

One contemporary phenomenon with potential implications for migration is the dramatic increase in the number of two-earner families. When both the husband and wife work and their best opportunities are not in the same locality, one spouse may have to pass up a good job opportunity elsewhere because the other's career is best advanced by staying, or may have to give up a good job in the current location because the other spouse is better off moving. The alternative is the situation where the husband and wife work in different cities, a phenomenon that seems to have become more prevalent in recent years. As women become more attached to the labor force and their shares of family earnings increase, their job opportunities should become more influential in families' decisions on whether to move and where, with possible effects on their own and their husbands' prospects for career advancement and the likelihood of job-related marital separations. One possible result is that two-earner families may gravitate toward large, diversified labor markets where both husband and wife are likely to find satisfactory jobs.

Unemployment and Job Dissatisfaction as Incentives to Move

Migration is a means whereby people who are living in places where they are not fully employed or most highly valued can move to areas that offer brighter prospects. Evidence suggests that migrants do generally move from areas with low wages or high unemployment rates to those with higher wages or lower unemployment rates. Unemployed workers, as well as those who are looking for different jobs, are indeed more likely to migrate than are employed persons who apparently are satisfied with their current jobs.

However, the unemployed and the dissatisfied do not pull up their stakes as readily as one might expect. Overall, the unassisted migratory response to unemployment is sometimes weak and uneven. It is weak because most workers with unemployment experience, whatever their inclinations, nevertheless do not move. And it is uneven because workers more prone to unemployment--those in blue-collar occupations, with low skill and educational levels, or of advanced age--tend to be more immobile than others.

The crux of the problem is that most people are reluctant to move, even in the face of prolonged and severe unemployment hardship. This reluctance may reflect a carefully considered personal judgment that values familiar surroundings above the prospect of employment elsewhere. But the weight of evidence suggests that what really prevents the unemployed worker from migrating may be *unawareness* or *absence* of choice. Residents of federally defined depressed areas express surprisingly little interest in moving away, despite the economic "push" of low incomes and high unemployment. This lack of interest must stem at least partially from people's erroneous impressions about relative economic conditions elsewhere. A survey in the mid-1960's found that over half the residents of depressed areas thought that conditions where they were living were just as good as, or better than, those anywhere else. Nearly one-third believed that in other places the pay was *lower*, and the jobs *more* scarce, in their line of work.

Nevertheless, a recent Rand study suggests that unemployed persons have relatively high migration rates, are more likely to leave areas with high unemployment rates than they are to leave those with lower unemployment rates, and that they are responsive to opportunities elsewhere. This same study suggests that unemployed persons with higher levels of nonwage income are less likely to move than those who receive less nonwage income. Since many of the unemployed are people who have been laid off, this finding suggests that those with the largest nonwage incomes can best afford to wait for their old jobs to become available again.

Unemployed persons who are recent arrivals to an area are especially likely to migrate again. Many of them return to the locality they recently left. For many of these "ping-pong" migrants the consequences of one move appear to become the cause of the next.[2] The problem here may lie in careless planning of the initial move--that is, a destination chosen on the basis of faulty information about the true conditions of the labor market. (Once they return, these "ping-pong" migrants appear to behave according to the old proverb "Once burned, twice cautious." and exhibit a reduced inclination to migrate again.)

These findings suggest that public policy might be able to strengthen the economic effectiveness of migration by enabling unemployed potential migrants to plan more effectively and by supplying information and financial assistance to broaden their choice of destination. Such measures may enable migrants to attain the objectives that prompted them to move in the first place. All major western European countries now have some form of subsidy to assist persons migrating from rural to urban areas. Experimental relocation assistance programs in the United States (conducted between 1965 and 1969 under the auspices of the Department of Labor) have demonstrated that many unemployed persons willing to relocate can be helped to find jobs and increase their earnings elsewhere. The success of these programs (which, include recruitment, screening, job development, transitional services, and follow-up and supportive services) suggests that the overall migratory response to unemployment could be strengthened, with advantages redounding to workers and areas alike.

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[2] Such ping-pong moves are not detectable in Census or Current Population Survey (CPS) data. The former measures migration by comparing areas of residence five years apart. If the person made both the initial and return move in this period, the second would, in effect, cancel the first and the person would be counted as a nonmigrant in the data. The CPS measures migration over a one-year interval but collects no information on previous areas of residence.

Does Welfare Influence Migration? What Might be the Effect of Welfare Reform?

While some policies might affect migration directly, others may have inadvertent influences. For example, it is widely believed that low-income persons go to places like New York City as welfare seekers, drawn there by generous public-assistance allowances. A recent Rand Corporation study on this question reached a contrary conclusion: It found that needy newcomers start using the welfare system only gradually, not immediately; the delay is more easily interpreted as due to discouragement in finding work after the migrant arrives than to prior motivation for moving to New York deliberately to claim benefits. Findings from other independent studies tend to corroborate this point. The welfare-seeking migrant appears to be a myth; if anything, actual receipt of public assistance seems to *reduce* the migration of poor families, suggesting that welfare recipients tend to pile up in cities not because of high in-migration but because of low out-migration.

Analyses of the Seattle-Denver and Gary Income Maintenance Experiments suggest that introduction of a negative-income-tax type of income maintenance program is likely to increase rates of geographic mobility of recipients. It appears that receipt of such payments eases the financial constraints on moving and enables families to consider more alternative destinations than they might have otherwise. In the Gary Income Maintenance Experiment, families receiving experimental payments were somewhat more likely than control families (those not receiving experimental payments) to move farther from Gary, to move to large urban areas, and to move to places where they had not lived before or to places where they had no friends or relatives.

HOW PEOPLE DECIDE TO MIGRATE

In describing who moves, we have already given a number of answers to the question of why people move. A general answer is that people move if they *believe* that they will be better off by doing so. They implicitly weigh the costs and benefits of moving, and choose to move if they feel that the benefits will outweigh the costs. (The benefits of migration include such things as increased earnings over one's lifetime and improved amenities. The costs include expenses for moving belongings, forgone earnings while moving and looking for a new job, and the psychic cost of leaving friends, relatives, and familiar surroundings.)

With perfect information and perfect foresight, the potential "investor" in migration should always correctly weigh the advantages and disadvantages in deciding whether and where to move. But information is not costless, and uncertainty is a fact of life. People weigh the advantages and disadvantages as they *perceive* them, and they often consider only one or a small number of places where they have friends and relatives (perhaps because their limited financial resources necessitate relying on friends and relatives for financial support while looking for work).

Evidence suggests that most migrants, even the highly educated and highly skilled, consider only a single destination. Most of them rely on only one source of information--typically friends and relatives—and though some, especially the educated, prearrange jobs before they move, many have no information regarding jobs at the destination until they actually arrive there.

Even with good information about opportunities in a wide array of destinations, some moves will turn out not to be profitable investments after the fact. For example, if a group of potential migrants are told that they have a 75 percent chance of finding a handsomely paying job in, say, Houston, 25 percent of them will still fail to improve their lot by moving there. If the 75 percent figure is accurate and Houston is indeed the best labor market choice for these people, we have given them the best information possible. However, if for some reason these people had information only about Houston when in fact their prospects are better in Tulsa, Atlanta, or some other place, then there is room to improve the information on which migration decisions are based. My point here is that better information can improve the efficiency of migration, but even the best information cannot guarantee that all moves will prove "successful."

POTENTIAL ROLES FOR PUBLIC POLICY

Evidence suggests that migration works well for the majority of people who move. They prearrange jobs before they move and are able to increase their earnings and lessen their incidence of unemployment by moving; the majority express satisfaction with the results of their moves. Migration benefits not only these people but the places they move to as well, for it transfers labor from areas where jobs are scarce or wages low to areas where workers are scarce or wages high. Where private market forces seem to be directing migrants to and from the "correct" places, and to benefit those who move, it seems needless for policy to tinker with a mechanism it probably cannot improve.

However, a small subset of migrants and areas do not appear to benefit from migration. Some less advantaged citizens appear to base their moves on limited information. They do not prearrange jobs before they move, they do not gather information beforehand regarding jobs in the areas they move to, and they often limit themselves by considering only those destinations where they have friends and relatives. In these cases, financial relocation assistance and information about alternative labor markets might enable these people to broaden their range of choice and heighten the chances of "success" for both themselves and the areas they join.

A more difficult problem is the detrimental effect that migration can inflict on certain areas. As the most productive members of the labor force move away, declining areas are left with a labor pool of diminished productive potential. What begins as an economic adjustment can become over time a gradual leaching away of local human capital. The tax base erodes, but public service demands do not shrink.

Areas experiencing rapid growth face other problems. As in the case of declining areas, the problem stems from the fact that the social costs or benefits of migration may differ from the private ones. If people can improve their earnings or well-being by moving to a new area, other citizens of the area will also benefit from the newcomers' being in the place where their contribution to the national product is greatest, *as long as their moving does not impose any costs on the citizenry.* But when those left behind are hurt by reduced local revenues to finance their public service needs, or lifetime residents of an area that is now growing find their scenic surroundings becoming overcrowded or housing prices being bid up, they may feel that they are hurt rather than helped by migration.

Whether growing areas should be allowed to restrict entry of in-migrants who wish to live there is a question with important ethical, legal, and economic implications, to which there is no easy answer.

With the possible exception of relocation assistance, there seems little need for public policy to try to influence migration directly. However, there does seem to be a need for increased awareness that many government programs may affect population redistribution *inadvertently*. For example, interstate highway growth in the South is often suggested as one reason for the region's recent growth, as were aerospace programs for the West a decade earlier. State differentials in welfare benefits may have some influence on migration patterns (though not as much as many people believe). Welfare reform, the Equal Rights Amendment, and other programs under consideration, may also inadvertently affect people's costs or benefits from migrating and, in so doing, affect their likelihood of moving and choice of destination.

In summary, the task of the policymaker is judicious discrimination: identifying policy-areas where governmental intervention would probably be futile and wasteful, areas where it is unnecessary, and areas where it would produce benefits for both individuals and society. The most promising applications for public policy appear to lie in efforts to make migration more effective.

June 6, 1978

Statement Prepared for the House Select Committee on Population

by

David L. Birch
MIT Program on Neighborhood
and Regional Change

For most of the 19th and 20th centuries, the location of jobs (and cities) was dictated by the Industrial Revolution and the transportation facilities that it required -- harbors, rivers, canals, rail junctions, lakes, and so forth. It would have been prohibitively expensive to do things any other way. People naturally followed this pattern, creating cities like Boston, New Haven, New York, Philadelphia, Cleveland, Pittsburgh, Detroit, Chicago, and St. Louis.

As Lewis Mumford pointed out so prophetically several years ago, the first change in this long standing pattern was rural electrification. With the advent of the wide-spread distribution of electrical power came the ability to make and do many things away from natural power sources. This first major network (unless you count the railroads as a thinly distributed net) was followed in fairly rapid succession by a number of technological advances that engendered networks of their own -- radio, the automobile and truck (and the interstate highway system), television, modern telecommunications, jet airplanes, and recently satellites. In combination, these networks made it increasingly simple to make and do things outside of the major industrial revolution cities. In the 1950's and 1960's the opportunity to escape higher density living and working took the form of suburbanization

Sometime in the late 1960's or early 1970's it became clear that suburbanization was merely the forerunner of a far more profound redistribution of jobs and people that extended to all parts of the country, that was draining the older cities at an increasingly rapid rate, and that began to drain whole metropolitan areas and states as the decade wore on.

To understand how this change was taking place, we began to assemble extensive data files on individual people and individual business establishments so that we could look beneath the aggregates and observe the processes at work. Among others, we assembled a file of 5.6 million business establishments, describing, for each establishment, its size, location, age, industry, and status in 1969, 1972, 1974, and 1976. We also assembled a file describing 1.5 million members of the workforce and all major jobs held by each member over an 11 year period, including information on earnings, industry, and location of each job. By comparing individuals over time, we have been able to analyze some 7 million migration decisions. Using modern computing techniques, we can build up the entire United States from these individual parts and observe how they behave to bring about aggregate change.

Employment Location

We began with employment shifts, and immediately discovered some things that surprized us. First, we found out that the physical migration of firms from one state or area to another is relatively insignificant as a cause of change. Although highly and widely reported in the press when they occur, the net effect of such migrations rarely exceeds a tenth of a percent of the job base in any particular place in any year.

Also, we noted very little variation from place to place in the rate at which jobs are lost each year through the combination of deaths and contractions. Even over the extremes of growth and decline summarized in Table 1, death rates vary hardly at all and contractions are much the same for all states except those that are growing very fast. Similarly, most cities, north and south, experience roughly the same rate of job loss.

Table 1

Average Employment Change for All States
by Growth Rate, 1970-1972

Employment Change	Births[1]	Deaths	Expand.	Contract.	Inmig.	Outmig.
Over 10%	9.1%	-14.5%	23.0%	- 7.2%	0.3%	-0.1%
5% to 10%	10.8%	-13.3%	18.2%	- 9.7%	0.3%	-0.1%
-5% to +5%	5.9%	-11.4%	12.7%	- 9.2%	0.2%	-0.1%
Less than -5%	5.1%	-13.1%	11.6%	-10.3%	0.4%	-0.5%

The main cause of net change, therefore, is the differential rate at which relatively constant (and high) losses are replaced. There is a great deal of variation in this replacement rate, with rapidly growing places more than replacing their losses, while declining places fall short of the replacement rate required to break even.

Roughly 40 percent of the replacement is due to births of new establishments and 60 percent is due to expansions. This ratio varies very little over space. Of the jobs created by the formation of a new establishments,

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[1] Birth rates (and gain rates incorporating births) in this and subsequent tables are under-stated by about 3 to 4 percentage points.

Source: Allaman and Birch. Components of Employment Change for States by Industry Group, 1970-1972, September, 1975.

85 to 90 percent are attributable to independent, free-standing entrepreneurs (see Table 2), with new branches and headquarters contributing a relatively minor proportion. Of the jobs created through expansion, roughly 60 percent are created by independent establishments. In combination, then, independent entrepreneurs create almost 75 percent of all the job replacement required for a place to break even or grow.

A key determinate, then, of which places will grow and which will decline is the location decisions made by entrepreneurs. To better understand the spatial pattern of these decisions, we divided the United States into 315 metropolitan and rural areas and computed the percent of the job base that is replenished each year in each place by births of new firms and by expansions of existing ones. The results of these computations are portrayed graphically in the following two maps. Light colors represent rates of formation and expansion that are insufficient to generate growth and darker areas are those that are thriving.

The problems of the Northeast and Midwest are obvious from the maps. Entrepreneurs in these sections are simply not, with rare exception, deciding to take up the slack left by those who contract or go out of business. Nor is the South in universally good shape. Is is the Western areas that appear more uniform in their tendency to be expanding their economic base. If one were to draw a single boundary line on the maps, it would be along the Mississippi River, not the Mason-Dixon line.

The growth in the West is particularly interesting because so much of it occurs in high-cost areas. Rapidly growing cities like Houston, Dallas, Denver, Phoenix, San Diego, San Jose, and Santa Barbara all pay higher than average wages (even after controlling for industry and

Table 2

Status of Establishments vs Employment Gains by Region, 1969-72, 1972-74, 1974-76

Births

Percent Employment Gains in establishments that are:

Region	Time Period	Independent	Head Quarters	Subsidiary	Branch/ HQ in State	Branch/ HQ out of State
Northeast	1969-72	77.4	12.2	10.2	.1	.1
	1972-74	81.6	9.5	8.9	.0	.0
	1974-76	87.3	7.4	5.2	.0	.1
North Central	1969-72	79.9	12.7	7.2	.1	.1
	1972-74	83.4	9.6	6.9	.1	.0
	1974-76	88.8	6.4	4.7	.1	.0
South	1969-72	78.3	11.8	9.7	.1	.1
	1972-74	83.7	9.2	6.9	.1	.1
	1974-76	88.9	5.8	5.1	.1	.1
West	1969-72	80.7	11.0	8.1	.1	.1
	1972-74	87.1	8.0	4.9	.0	.0
	1974-76	89.5	6.4	4.0	.1	.0

Expansions

Percent Employment Gains in establishments that are:

Region	Time Period	Independent	Head Quarters	Subsidiary	Branch/ HQ in State	Branch/ HQ out of State
Northeast	1969-72	62.9	16.7	4.3	4.4	11.7
	1972-74	55.9	20.6	5.9	5.7	11.9
	1974-76	57.9	21.4	6.8	4.2	9.7
North Central	1969-72	58.2	15.4	3.0	8.1	15.3
	1972-74	55.4	20.8	4.7	6.0	13.1
	1974-76	54.3	21.2	5.0	6.3	13.2
South	1969-72	59.2	13.3	4.8	4.2	18.4
	1972-74	56.0	16.0	5.0	3.7	19.3
	1974-76	54.2	17.4	5.8	4.6	18.0
West	1969-72	60.3	15.8	3.1	7.5	13.3
	1972-74	58.1	21.1	3.8	6.0	11.0
	1974-76	56.7	22.3	4.7	5.3	11.0

Source: Birch, Regional Differences in Factor Costs: Labor, Land Capital and Transportation, February, 1978.

occupational mix) and high transportation costs. It cannot be argued that they are stealing jobs from the Northeast and Midwest by offering lower costs. They must be offering something else. One obvious thing is an attractive climate with many outdoor recreational opportunities that will draw and hold a high quality workforce. Also, they offer newer, younger cities that pose many fewer problems to their inhabitants and their entrepreneurs. With the networks in place, entrepreneurs can, and appear to be, capitalizing on this opportunity to live and work in a place more to their liking.

Nor is it just the cities that are growing. A careful look at the maps reveals many rural areas (a few in the Northeast and Midwest) that are prospering more than their metropolitan counterparts. The networks now extend everywhere.

Population

Under these circumstances, the old (and at one time interesting) argument over whether jobs induce people to move or vice versa is now less relevant. Entrepreneurs and managers are people, and, relieved of many of the classical economic constraints they are behaving as residential and business creatures at the same time. They do not stray far from interstates and jet airports and telecommunication hookups, but such things can now be found in most places. As a result, there is a simultaneous redistribution of people taking place.

Looking at the 1970-75 period, the most obvious trend is the growth of the South. This growth is not new. As can be seen in Table 3, the South has consistently outgrown all other regions since 1955.

Table 3

Population Change by Region, 1950 to 1975
(in millions)

Period	Northeast	Northcentral	South	West
1950-55	2.7	3.9	2.9	3.7
1955-60	2.5	3.2	5.0	4.2
1960-65	2.6	2.5	4.4	3.9
1965-70	1.7	2.4	3.4	2.7
1970-75	.3	.9	5.1	2.9

More recent has been the shift out of metropolitan into nonmetropolitan areas. Through the 1960's, migration flows had consistently favored metropolitan areas. After 1970, however, the trend reversed:

Net Migration by type of Place
(millions)

	1960-70	1970-74
Large Metropolitan	4.2	-1.2
Other Metropolitan	2.2	1.7
Nonmetropolitan	-3.2	1.5

It is not a uniform trend, however. Beneath the aggregations lie a great deal of variation. Table 4 cuts one level deeper, showing change between 1970 and 1975 by type of place and crude region. The table reveals the metropolitan as well as the rural character of Southern growth and the surprisingly strong showing of nonmetropolitan areas outside of the South.

Another pair of maps reveals the detailed pattern more clearly. In this case, we have mapped population change between 1960 and 1970 (Map 1) and between 1970 and 1975 (Map 2). Blue represents growth and red decline -- the darker the shade the greater the change in either direction. The pattern of the 1960's is still very much the pattern of the previous 150

Table 4

Comparison of 1970 and 1975 Population by Region and Type of Place Within Region

Crude Region	Type of Place	1970 Population	1975 Population	Diff.	% Diff.
Northeast	Total	48.2	48.7	.5	1%
	Supercity	17.3	17.0	- .3	-2
	Regional Center	13.7	13.9	.2	1
	Large Metrop.	11.1	11.4	.3	2
	Smaller Metrop.	1.1	1.1	.02	2
	Rural	5.0	5.3	.3	6
North Central	Total	54.9	56.0	1.1	2
	Supercity	7.5	7.5	.03	0
	Regional Center	16.2	16.3	.08	0
	Large Metrop.	10.5	10.8	.3	3
	Smaller Metrop.	4.5	4.7	.2	3
	Rural	16.2	16.8	.6	4
South	Total	59.4	65.0	5.6	9
	Supercity	-	-	-	-
	Regional Center	13.3	14.8	1.5	12
	Large Metrop.	17.1	18.9	1.8	11
	Smaller Metrop.	6.8	7.4	.6	10
	Rural	22.3	23.9	1.6	7
West	Total	31.8	34.8	3.0	9
	Supercity	13.2	13.7	.5	4
	Regional Center	4.1	4.5	.4	11
	Large Metrop.	6.7	7.7	1.0	14
	Smaller Metrop.	2.2	2.5	.3	13
	Rural	5.4	6.2	.8	14

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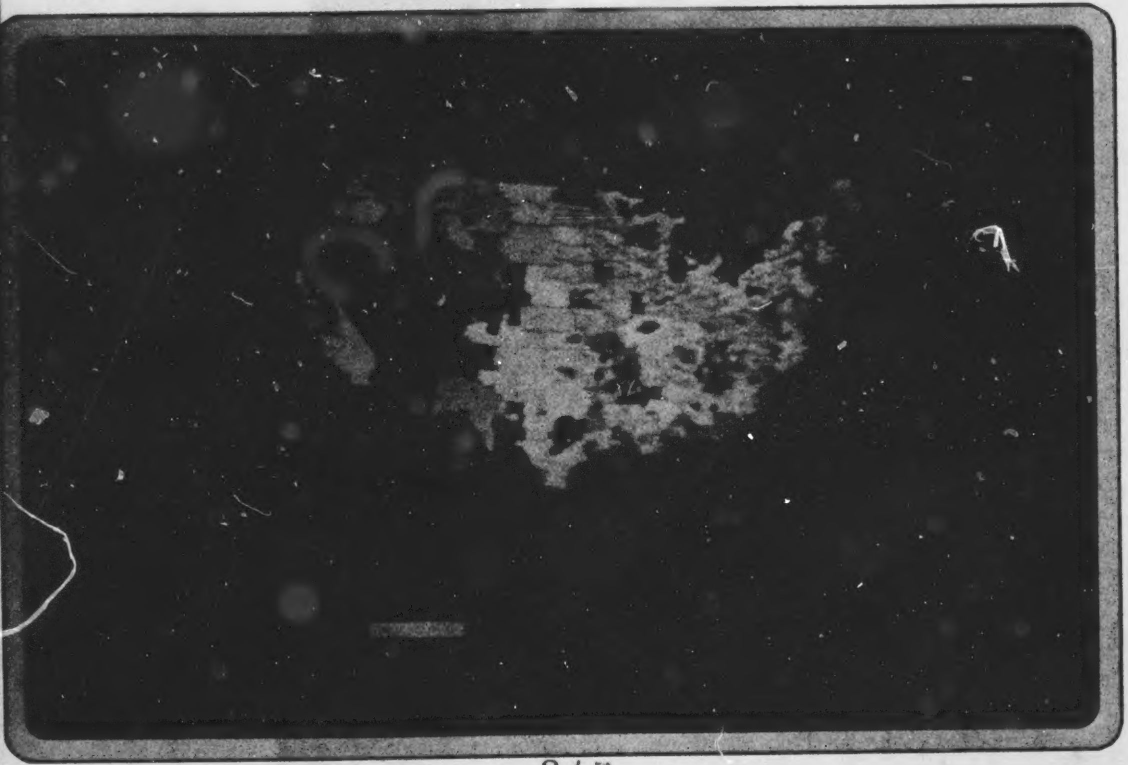

years -- cities growing, rural areas declining, and the expansion of the west coast. The 1970-75 picture is quite different. Cities turn red and places that were once declining now turn blue -- northern New England, northern Michigan, Appalachia, Texas, and most mountain states as well as the continued growth of Florida and most of the West Coast and Southwest. As in the case of employment growth, the pattern in the Southeast is spotty, with growth centers like Charlotte and Atlanta surrounded by still-declining rural areas. The image of a uniform growth belt stretching from the Atlantic to the Pacific oceans is again highly misleading. Many areas within this general territory are stagnant or declining. Their problems disappear only when they are averaged in with the few major growth centers that also happen to be located in the so-called sunbelt.

Although the superstars in the south and west are mostly metropolitan, as we saw in Table 4, nonmetropolitan areas are growing faster on the average in percentage terms, and this growth is not necessarily concentrated in the South. Rural areas near Portland, Maine, Burlington, Vt., Saginaw, Michigan, Grand Rapids, Michigan, Grand Junction, Colorado, Cheyenne, Wyoming and Stockton, California are all consistently growing. Also, the rural growth is not all concentrated in the exurban fringes around metropolitan areas. We ranked our 315 areas by the number of people they are near. Table 5 presents the results. From 1960 to 1970, those areas nearest the most people grew the fastest. From 1970 on, those most remote from people grew the fastest.

Table 5

Annual Compound Population Growth Rate of 315 areas by Their Degree of Rurality on a Size-Distance Scale[1]

Type	Scale	Annual Compound Growth Rate 1960-1970	1970-1974
Very Urban	6	1.4	.3
	5	1.1	.9
	4	1.1	1.2
	3	1.6	1.6
	2	1.1	2.0
Very Rural	1	.6	2.1

Conclusion

The underlying causes of the recent employment and population shifts described in this statement are not going away. If anything, they are becoming more influential. Seats on the New York stock exchange now sell for one tenth their value of only a few years ago because there is no longer an inherent reason to be in New York, and this very symbolic change is symptomatic of thousands of similar transformations going on in all our major cities.

Our own projections show a continued, and even accelerated shift in directions that we were only first able to measure in the early 1970's. While large government installations can influence the trend for a single area for a few years, it would require a massive reconcentration of government activity at this point to counter the trends now underway. Nor do there appear to be any government programs whose dollar volume begins to approach the magnitude of the economic and demographic shifts taking place.

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[1] This scale is obtained for each area by adding up the distance-adjusted populations of all other areas. The distance adjustment involves subtracting 400,000 people for each 50 miles of distance. The results are than scaled between 1 and 6 (a score of 6 implies proximity to millions of people; a score of 1 indicates that an area is near only a few hundred thousand).

It would appear, therefore, that those of us living in and serving declining areas must learn to accustom ourselves to decline in the future. We must abandon the notion that growth per se is a necessary and desirable thing. Few would argue that the extraordinarily high densities of the cities we have built over the past 150 years are desirable. Certainly few, if any, of the people that we interview that live in them desire them. Most spend their spare time plotting escape routes, and many are now following those routes. It may just be that our cities would be better places in which to live and work if their densities (and population) could fall to half of their present levels.

Managing decline is not easy for city governments. But nor is it impossible. As Professor Terry Clark of the University of Chicago points out in his "How Many More New Yorks?" there is little relationship between the growth or decline of a city and its fiscal health. Many growing cities have accute fiscal problems, and many declining ones have managed quite nicely. Pittsburgh, for example, which began declining before most other cities, and has thus had more experience in managing this new condition, is in good fiscal shape today. It reduced the size of its municipal workforce by 25 percent over a two year period through attrition, continues to revitalize its downtown, and is balancing its books in the process.

The problems associated with decline are not, therefore, necessarily problems of local governance as they are so often perceived. They are problems of people. As in all redistributions of jobs and people (and we have had several in our history), some people are able to adjust far more easily than others. The elderly move with less enthusiasm and ease than those who are younger. The poor and uneducated and untrained have more difficulty than most locating suitable jobs and housing in new places. Ethnic groups with large extended families and close neighborhood ties are less likely to uproot themselves to enter a new and much less structured society.

If there is to be a policy, therefore, it should be a policy aimed at helping people who can adapt to do so, and at minimizing hardship for those who cannot easily change with the times. Such a policy should not be confused with a policy of rebuilding declining areas to their previous heights. All the evidence we have before us suggests that the declines have just begun, and that they will continue for some time to come in response to strong underlying forces. We may be able to slow down decline somewhat, but it is highly unlikely that we will stop it.

It appears that once decline is accepted, it can be managed to the benefit of many of those who choose to remain. The challenge is to find ways to assist those who get squeezed by the transition, while, at the same time, giving them the greatest number of chances to adapt to it. The cost of fighting the tide will be prohibitively high; the cost of floating with it may be manageable.

HOUSING MARKETS AND BIG-CITY POPULATION LOSSES

by

Anthony Downs*
Senior Fellow
Brookings Institution

Testimony presented before the
House Select Committee on Population
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Thank you, Mr. Chairman, for this opportunity to testify. My name is Anthony Downs, and I am a senior fellow at the Brookings Institution, a private non-profit policy research organization in Washington, D.C. I am an urban economist by profession, and have submitted a separate background statement setting forth my qualifications to discuss the relationship between population losses in large cities and housing markets.

Because this is an extremely complex subject, much of my testimony will consist of very condensed summary statements, rather than complete expositions of the ideas presented. Key points are underlined for rapid scanning. The testimony is divided into the following major sections: (1) key background facts, (2) central inferences from those facts, (3) the housing up-grading process and its relation to U.S. urban development, (4) types of public policy responses, and (5) policy implications.

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*The views presented in this testimony are those of the author and not necessarily those of the officers, trustees, or other staff members of the Brookings Institution.

I. KEY BACKGROUND FACTS

Understanding the relationship between housing markets and big-city population losses requires prior knowledge of certain key facts, which can be briefly summarized as follows:

- Large cities in the U.S. are losing population at an accelerating rate. In 1970, there were 153 cities in the U.S. that contained 100,000 or more persons each. Although 56 of these cities lost population in the 1960s, 94 of them lost population in the period 1970 to 1975. Moreover, the rate of loss was much greater in this second period. All central cities within U.S. metropolitan areas had a net out-migration of about 345,000 per year in the 1960s, but about 1.4 million per year in the first half of the 1970s.
- More large cities in the Northeast and Midwest are losing population than in the South and West, but most large cities are losing population from their innermost neighborhoods. The fractions of cities over 100,000 losing population from 1970 to 1975 by regions were 95 percent in the Northeast, 86 percent in the Midwest, 45 percent in the West, and 33 percent in the South. But many Southern and Western cities avoided population losses in this period only by annexing growing suburban areas around them.
- Even entire metropolitan areas are now losing population. Of the 259 metropolitan areas in 1975, only 5 lost population in the 1960s, but 36 did so from 1970 to 1975.

However, nearly all the population losses within these declining metropolitan areas were still entirely within their central cities, which had losses large enough to offset continuing suburban growth.

Urban population declines are not directly translatable into declines in the need for housing, since the number of households per 1,000 persons is rising. This is occurring because of a shift to smaller households. The average number of persons per household fell from 3.33 in 1959 to 2.94 in 1975, and the number of additional households in the nation rose from 1.06 million per year in the 1960s to 1.54 million in the 1970s. Since 1970, about 84 percent of these additional households have consisted of more one- and two-person households, which now comprise over half of all U.S. households. Therefore, the number of households is still rising in some cities and in most metropolitan areas where total population has been declining. This means the need for housing there has not fallen as much as population, and may even be rising.

- Production of new housing units in the U.S. has been at very high levels in the 1970s, as compared to earlier periods. In the eight years from 1970 through 1977 14.05 million conventionally-built units, plus 3.09 million mobile homes were started in the U.S. That equalled annual averages of 1.76 million conventionally-built units and 2.14 million total units--as compared to annual averages of 1.44 million and 1.64 million respectively in the 1960s.

About 71 percent of the conventionally-built units were located within metropolitan areas -- with the majority located in suburban communities. Thus, production of new housing units in the 1970s (as in the 1960s) has significantly exceeded net increases in the number of households for the nation as a whole. This was especially true from 1970 through 1973, when 10.0 million new housing units were started but only about 6.5 million additional households were formed.

- The transportation mobility of the American population has increased dramatically because of an "explosion" in the automotive vehicle population. The total number of cars, trucks, and buses in use increased by 76.7 million, or 175 percent, from 1950 to 1975; whereas the human population increased by only 61.1 million, or 40 percent. The average annual increase in our vehicle population has accelerated from 2.4 million during the 1950s, to 3.0 million during the 1960s, to an amazing 4.4 million from 1970 through 1976. Thus, the vehicle population is now rising 2.5 times as fast as the human population absolutely, and 5.0 times as fast in percentage terms. By 1977, about half of all American households owned two or more cars or trucks. This vehicle population "explosion" reduces the locational advantages of large cities compared to lower-density suburbs equipped with broader streets and more parking space. It also reduces the need for households to live close to public transportation or to where they work, even if they contain multiple wage-earners.

II. CENTRAL INFERENCES FROM THESE FACTS

Several major conclusions can be inferred from the above facts and other well-known aspects of the American urban scene. One is that the loss of population being experienced by many large cities is part of the long-run shift towards lower density settlement patterns that has been going on since the 1920s. There are many causes of this shift, but three are of utmost significance. American households strongly prefer low-density housing settlement to higher density, and many U.S. firms (especially industrial and distribution firms) find low-density facilities more efficient and more desirable than higher-density facilities. The other two causes have made it possible for more and more households and firms to achieve these preferences. They are rising real incomes and expanded use of automobiles and trucks. The major shifts to lower density are from older cities built in the pre-auto era to surrounding suburbs and to newer, more spread-out cities in the South and West.

However, population declines in older, higher-density cities are not entirely undesirable. Many large American cities were overcrowded in 1950, due to a massive inflow of workers in World War II and a lack of new housing construction in the 1930s and 1940s. Moreover, blacks and other minorities were "bottled up" in slum neighborhoods by racially restrictive convenants, which were not outlawed until 1948. Thus, the drop in densities in many big-city neighborhoods that occurred in the late 1960s and early 1970s substantially improved conditions there. It allowed minority-group populations to spread out into a much higher-quality housing inventory than they previously occupied. Many public facilities have become less crowded, and the level of public services (such as education) can eventually be reduced, saving taxpayers money.

Nevertheless, some cities have experienced far greater population losses than necessary to reduce overcrowding. For example, by 1980, St. Louis will have lost one-half its 1950 population; and if Cleveland's present outmigration rates continue, that city will be totally uninhabited by 2004. Such massive outflows of people are usually accompanied by losses of jobs and taxable property values too. This leaves city governments in fiscally difficult positions, especially since the people moving out have higher incomes than those remaining.

Another important conclusion is that suburban growth has been a key cause of falling population and employment in large older cities. The massive expansion of new housing and other facilities in suburbs has attracted millions of households and firms out of older, more obsolete quarters into newer ones from 1950 onward. And when inflows of poor rural households into cities almost ceased in the late 1960s, the net effect was a major emptying out of many big city neighborhoods. Saying that suburban growth "caused" cities to lose people and jobs is an oversimplification. Such growth was itself partly caused by the desire of people and firms to move into the suburbs. Thus, two-way causality was at work: demands for new facilities stimulated suburban growth, and the presence of such facilities stimulated more demand.

This conclusions may seem obvious, like stating that the main cause of forest fires is trees. But it has some non-obvious implications. One is that continued rapid housing construction in suburbs, unaccompanied by any resumption of population inflows into nearby big cities, will keep on emptying out the latter--particularly in those metropolitan areas with falling or stable overall populations. Hence, there is a direct conflict of interests between those benefiting from continued suburban housing expansion and those harmed by it.

The beneficiaries include the homebuilding industry, most households seeking to buy housing for the first time, and all renting households -- including the poorest ones in large cities. First-time homebuyers gain from rapid suburban growth because it expands the supply of housing available to them -- even if they cannot afford newly-built homes directly. Nearly every time an expensive new home is occupied by a relatively affluent household, that household moves out of another less costly home elsewhere. It is in turn occupied by a second less affluent household, which in turn has moved out of a still less expensive home elsewhere, which is then occupied by another still less affluent household, etc. Past studies show such "chains of moves" allow from 2.0

to 3.5 households to up-grade their housing everytime a new unit is occupied -- as long as new building is expanding the total supply of housing in the metropolitan area faster than new households are added to its population. All renters also gain from such a "loosening" of the entire housing market, since it tends to cause home prices and rents to be lower than they would otherwise have been. This may seem ridiculous in light of the rapid increase in home prices in the past few years. But from 1970 to 1976, the rent component of the Consumer Price Index rose only 31 percent, compared to 47 percent increase in both median household incomes and the overall Consumer Price Index. Thus the rental housing supply expanded enough -- especially from 1970 through 1973 -- to keep rents from rising as fast as consumer incomes, and renters got better off on the average. (After 1973, production of new rental units declined sharply and remained at low levels; so an increasing shortage of such units is emerging in most areas. But rents are still not rising as fast as prices of owner-occupied homes.) Moreover, as households move outward from older cities toward newer suburban units, vacancies in the inventory "filter down" towards the oldest, most deteriorated units in inner-city neighborhoods. Thus, the creation of a "surplus" of new housing units compared to added households within a metropolitan area "loosens up" the entire housing inventory. It eventually restrains both rents and property values in inner-city neighborhoods far from where the new suburban units themselves are being built. So even low-income inner-city households often gain from the expanded housing choices that such "overbuilding" generates throughout the market.

There are losers from this process too. One group consists of owners of older property in inner-city neighborhoods where total demand falls as households shift toward newer dwellings elsewhere. Rents and property values decline, and operating expenses rise with aging units, higher vacancy, and more vandalism. The city government is the other big loser, since it is the silent partner of every tax-paying property owner. When their properties decline in value, so does its tax base.

Thus, creation of sufficient new housing in the suburbs to permit net losses of population in the adjoining central city causes a serious divergence of private and social costs and benefits. The people who gain the major social and private benefits do not have to pay the major social costs. On the other hand, if new households are formed in or migrate into a metropolitan area faster than new housing units are built there, the reverse situation prevails. Then the housing market "tightens up" and rents and prices rise throughout the area. This benefits central-city governments and property owners by increasing property values. But it harms all households seeing to buy homes for the first time and all renters -- including most low-income households, since they are mainly renters. There is no simple way -- and perhaps no way at all -- to achieve or even conceive of an "ideal" balance between new housing construction and added household formation within a metropolitan area that will provide net benefits to all these important groups simultaneously.

The relationship between high levels of suburban housing construction and central-city population losses is illustrated by data in two accompanying tables. Both cover the period 1970-1975. One shows the 15 metropolitan areas with the absolutely largest population losses in that period, and the other shows the 14 areas with the absolutely largest population gains. Each table presents the population changes in numbers and percent for the entire metropolitan area, the estimated change in number of households for the entire area, the number of new housing units authorized there by building permits from about April 1970 through July 1975 (the same period covered by the population and household data), a ratio formed by dividing the number of new housing units authorized by the additional number of households, the percentage of new housing units authorized outside the central city, and the percent change in central city population. The most important column is the one showing the ratio of new housing units to added households. Any ratio more than one means that more new housing units were added than new households. The following conclusions can be drawn from these two tables:

--New housing construction was vastly greater in relation to added households in declining metropolitan areas than in fast-growing ones. The ratio of new units authorized to net additional households for all 15 declining areas was 2.628 -- almost double the 1.364 ratio for all 14 fast-growing areas. Excluding New York, the declining-area ratio was still 2.169. This means that more than twice as many new housing units were built in these declining areas, on the average, as were needed to accommodate growth in the number of households there. In contrast, none of the fast-growing areas had ratios as high as 2.0, and several of the highest ratio cities were resort centers in Florida where many housing units are owned by non-residents.

--All of the central cities in the declining areas lost population, as compared to less than half of those in the fast-growth areas.

--Among the declining areas, those central cities that lost more than 10 percent of their population all had very high ratios of new housing construction to added households for the metropolitan area as a whole. The six such areas combined (Cleveland, Pittsburgh, Newark, St. Louis, Buffalo, and Dayton) had a joint ratio of 3.119 -- 69 percent higher than the 1.844 ratio of the other 8 declining areas combined (excluding New York). Thus, high-level housing construction in the suburbs of metropolitan areas with declining overall populations undoubtedly contributes to housing abandonment there, though no accurate data on abandonment are available.

--In all metropolitan areas, the number of households grew much faster, or declined much less, than total population, thereby causing housing demand to be much stronger than population changes alone would suggest. In the fast-growing areas, total population rose 14.3 percent, but total households shot up 22.1 percent -- or over 50 percent faster. In the declining areas, total population fell by 1.8 percent, but total households rose by 3.7 percent because of the shift to smaller households in the existing population, as discussed earlier.

The last inference I will cite does not emerge from the facts cited above, but from a study I am conducting on the causes of big-city decline. So far, I have identified over 20 different forces, factors, or trends that have helped cause or aggravate the loss of population in the nation's largest cities. These range from social causes (such as the desire of middle-income households to spatially separate themselves from poor ones) through economic causes (such as the desire by established manufacturing firms to move to lower-cost locations outside of metropolitan areas) to fiscal causes (such as the tendency for local government costs per capita to rise with city size) and geographic causes (such as higher energy costs in certain regions of the nation). The multiplicity of these causes indicates that each large city losing population may be impacted by many factors quite different from those affecting each other declining city (although some causes operate almost universally, such as the three mentioned on page 3). This implies that no single diagnosis of decline will fit all cities experiencing it -- and no single "remedy" or set of "remedies" will work everywhere either.

III. THE HOUSING UP-GRADING PROCESS AND ITS RELATION TO URBAN DEVELOPMENT

A. The "Two Faced" Nature of U.S. Urban Development

I regard the movement of U.S. urban population from older central cities to surrounding suburbs and newer cities in the "Sunbelt" as essentially an up-grading process. Most households who moved were motivated by the desire to improve their housing units, their neighborhood environments, and their general quality of life by shifting from relatively obsolete dwellings and areas to newer, more attractive ones. By and large, they have succeeded. In the 1975 Annual Housing Survey, 86.8 percent of all suburban residents rated their neighborhoods as either excellent or good, compared to 72.8 percent of all central city residents. Similar differentials favoring the suburbs existed at all income levels, for all types of households. They have also persisted in every year of the Annual Housing Survey. Thanks to massive production of new units, the quality of the nation's housing has risen remarkably since 1950. In fact, as of 1975, 33 percent of all housing units in central cities and 77 percent of all those in suburbs had been built after 1949. Thus, the movement out of cities into the suburbs -- which have doubled in absolute population since 1950 and become the homes of 57 percent of our metropolitan-area residents as of 1977 -- has helped millions of American households upgrade their quality of life. It has also improved conditions in many parts of large cities by reducing overcrowding and expanding the choice of housing units available to minority groups there. Contrary to widespread belief, urban policies and trends since 1950 have improved the quality of life for a majority of American metropolitan-area households.

At the same time, these policies and trends have imposed social and economic costs on the minority of people who live in areas of concentrated poverty within large cities. They are compelled to live there because they are legally excluded from new-growth areas by suburban zoning laws and building codes that require housing too costly for them to occupy. They must cluster together in the oldest and most deteriorated parts of the housing inventory, since those are the least expensive units. These people have more unemployment, more crime, more inadequate housing, lower-quality public schools, and far less desirable neighborhoods than most urban Americans. Thus, the same factors and arrangements that benefit a majority of urban Americans unfairly penalize a numerical minority, many of whom are also ethnic minorities. Moreover, this concentration of low-income households within older central cities helps cause the fiscal strain many such cities are now experiencing. Such concentration not only raises public service costs, but also encourages affluent households and businesses to move out.

B. Urban Development Seen as Normal Technological Progress

This same "two-faced" process of urban development can be viewed as a typical example of how our free enterprise system improves our standard of living over time by "revolutionizing" both production and consumption through the introduction of new and superior methods and products. Such progress through innovation has been an essential part of our economy for decades. However, it has both positive and negative effects, usually upon different sets of people. Thus, the invention and widespread dissemination of automobiles benefited their producers and users, but were disastrous for the owners of buggy factories and blacksmith shops. Trucking has been gradually undermining railroads for decades; jet airliners rendered propellor transports obsolete; and electronic calculators are wiping out mechanical adding machines. Cities built largely in the 19th Century, or even the first 30 years of the 20th Century, contain millions of housing units and thousands of neighborhoods that are either deteriorated or functionally obsolete. Repairs and renovation can cure deterioration and some design obsolescence. But they cannot provide spacious backyards in areas where nearly all the land is covered by 5-story tenements; or widen streets built for horse carriages to provide parking for a car, a pick-up truck and a recreational vehicle for each household; or permit economically feasible land assembly for a large enclosed-mall shopping center with free parking; or convert 25-foot lots into 100-foot lots without major losses of population.

The home-provision industry has undergone major shifts in products favoring lower-density units with more floor space per unit, more amenities, more off-street and on-street parking, and larger lots than those typically found in many of the nation's large, older cities. Similar shifts in products towards lower density facilities have taken place in the provision of industrial plants and warehouses. Developers have found it both more efficient and politically more acceptable to create these new products on vacant land at the periphery of built-up areas than to fit them into the center of those built-up areas through clearance and redevelopment. Thus, the decline of population in large cities can be seen as a typical shift by residential, industrial, and commercial consumers from obsolete facilities to modern and more efficient ones. The economic dynamism which makes such constant improvements possible is one of the chief benefits of the free enterprise system.

However, in this case, that dynamism has seriously adverse impacts because of particular qualities of the products involved. For one thing, they are immovable. Therefore, in order to shift from older ones to new ones, the consumer must either change locations or expensively tear down existing units and replace them on the same spot. Such "upgrading in place" might be rational if all properties -- both old and new -- were owned and produced by the same entrepreneurs, or a small set of them. Highly centralized ownership of this type would recognize the wisdom of systematically replacing old and obsolete facilities with new ones in a planned process of "rolling over" the existing housing stock within large cities, as auto manufacturers do with cars. But ownership of our housing inventory and real estate generally is almost totally fragmentalized. The producers of new units do not own older ones, and most owners of old units are incapable of producing new ones.

This precludes development of any rational overall plan linking the production of new units to the systematic removal of obsolete ones from the inventory. In most metropolitan areas, there is no single governmental authority covering the entire area to encourage such coordinated development and retirement. Even where such unified governmetns exist, they do not have sufficient powers to orchestrate myriad property owners into one harmonious development/retirement process. Consequently, the technological up-grading process typical of most products in a free enterprise society produces decay in certain locations when applied to housing and other real estate. Eventually, these decaying areas will probably be recycled, as many cities have been in the past. But meanwhile the remaining residents, property owners, and governments must confront very negative conditions with declining resources.

This situation is aggravated by the inherent tendency of private entrepreneurs to overexpand supplies when new products are introduced. Invention of any new and popular item, whether it is the ball point pen, the pocket calculator, or the ranch home, causes entrepreneurs to rush into producing it in a competitive race to capture profits. They typically overexpand total supply, forcing the prices of the most obsolete units downward to where their owners or producers are bankrupted. Suburban housing developers have periodically overexpanded the total supply in relation to the number of available housholds -- thereby causing a surplus of units in each metropolitan area where this occurs.

The most serious impact of this surplus is felt by owners of the oldest, most obsolete units -- analogous to producers of the first $600 digital watches, or fountain pens. Such overbuilding speeds up the obsolescence of older housing units that might otherwise be considered adequate dwellings.

As a result, it is currently hard to tell whether the perceived obsolescence of many older housing units in large cities is "legitimate" -- that is, they are really unable to provide "decent" shelter by today's standards -- or "artificial -- that is, they could easily be renovated to provide "decent" shelter, but are inferior to newer suburban units built in excessive numbers related to total demand. If a single person or agency owned both old and new units, that actor would restrict the production of new ones so as to maintain the consumer acceptability and value of the older ones. Government authorities do just that in nations where most housing is publicly owned. But in our dynamic free enterprise system with its totally fragmented ownership of real property, producers of new units are not constrained by such conservationist motives. It is in their interest to continue producing new units as long as they can attract people out of older ones -- no matter how many potentially serviceable older ones become abandoned in the process. And who is to say this is wrong, since it up-grades the quarters of those who keep moving out of older units, as long as they do so voluntarily? If the average useful life of an automobile is only 10 years, why should that of a dwelling unit be 40 to 100 years -- as long as those who buy new ones can afford them?

One answer is that these buyers do not pay the full social costs of new units. They do not have to compensate owners and government of old units for the losses from city decline. But that has historically been true of nearly all such technological up-grading. The buyers of new cars in 1910 did not have to compensate owners of buggy factories or horse farms for their lost business; nor do the buyers of digital watches have to pay Swiss watchmakers unemployment compensation.

It is true that our society has become much more sensitive to the "external costs" of all types of actions -- that is, costs imposed outside of markets -- than we were in the past. An example is our immense investment in combatting environmental pollution. We have also become more resource-conservation-minded in a world of high energy costs and apparently dwindling resource supplies. Therefore, we have become more hostile to the "cowboy mentality" involved in using an area until its current value is exhausted, then moving somewhere else without refurbishing or renewing the first area. As a result, we are moving closer to requiring developers of any new areas to compensate the owners of old ones for all the losses generated by such new development -- or even to prohibit new development altogether if it injures any owners of existing property.

But this tendency runs the risk of erroneously endowing the status quo in every neighborhood -- however rundown or obsolete-- with an almost sacred character because even socially desirable changes would disturb at least some of its inhabitants or owners.

A current example is the controversy over whether renovation of older neighborhoods by middle-income households should be allowed if it displaces low-income residents -- even though it clearly improves the physical, economic and, fiscal quality of the neighborhood and often of the city as a whole. If society requires every new real estate development or investment ot pay not only its direct costs, but also all the indirect costs it imposes on others, that will raise the price of new development enormously. It might drastically slow down the very up-grading process that has raised our standard of living to the point where we can afford to seriously consider such social sensitivities. The problem is how to strike some reasonable balance between two extremes: totally ignoring "externalities" on the one hand, and so weighting down every proposed new development with their costs on the other hand that all change becomes economically unfeasible.

C. The Spatial Implications of Social Up-Grading

Solving this problem is complicated by certain social aspects of the housing up-grading process. There are two fundamentally different views of how social up-grading should and does occur in some population that initially has relatively low status. In both views, certain individuals or households within the population initially succeed in raising their status, but others do not. These up-graded individuals or households can then choose either of two behavior patterns. They can up-grade through movement away from the rest of the initial population to some other area occupied mainly by persons of higher status or income, similar to the level they themselves attained. I will call this behiavior creaming, since it is analogous of skimming off the highest-risen part of the whole, and moving it elsewhere. Or they can up-grade in place, remaining where they are either passively (not trying to improve teh rest of the area around them) or actively (attempting to aid the rest of the population around them, both by example and by drawing more resources into the entire area). I will refer to this behavior as group solidarity. It implies that progress is achieved by moving the entire group upwards together -- even if internal differences in status or incomes among its members are preserved.

Both of these views of social progress play prominent roles in U.S. society. Creaming is the predominant mode of upward social mobility for individual households in U.S. residential areas. When a household's social status (which is heavily influenced by its income) improves to a point where its status is superior to that of most other households living nearby, it often moves to another neighborhood occupied primarily by households who have already attained its new status level. This "better" neighborhood normally is more costly and has superior environmental qualities too -- such as larger lots, bigger houses, less traffic, better schools, etc. However, its residents are also engaged in differential upward mobility; so some rise to higher levels of status than most around them. Then, they, too, may up-grade themselves by moving to a still higher-status area. This process does not occur in all neighborhoods, especially those where ethnic solidarity keeps up-graded households tied to their original location. But it is probably the most common behavior response to marked improvements in status and income by individual households in U.S. metropolitan areas.

Several aspects of creaming in housing markets are worth examining further:

--Creaming gives maximum expression to individual freedom. Households are neither expected nor compelled to remain in one location over time, but can move into any area where they can afford to live (in theory, at least).

--Creaming implies that there is a hierarchical set of neighborhoods in the metropolitan area with different average status levels, although there can be considerable variation in status among the residents of each neighborhood.

--Creaming leaves the residual group of non-rising households clustered together in the initial population or neighborhood. The more opportunities are extended to that population for individual up-grading, the more the remaining population tends to consist of households incapable of up-grading, or wholly unmotivated to achieve it, unless there is a constant inflow of newcomers to this neighborhood. Therefore, creaming without continued in-migration to the lowest status neighborhoods produces populations there that are increasingly difficult to up-grade.

--Creaming is probably almost inescapable when there are large in-flows of low-status newcomers to a metropolitan area, and they can only enter those neighborhoods that are the lowest in status. This has typically been the case during large-scale in-migration to U.S. cities, both in the early 20th Century and shortly after World War II. The constant inflow of newcomers to the lowest status neighborhoods creates a "push" from the bottom upwards that encourages someone to move out if the overall housing supply in the metropolitan area is rising. Those most likely to move elsewhere are households who have risen enough in status and income so they can afford to buy into more costly areas. Thus, the creaming pattern of upward social mobility in the U.S. was established historically by both (1) the tendency of poor in-migrants to move into the same city neighborhood where their predecessors had previously arrived, and (2) the maintenance of relatively high-quality (therefore high cost) requirements for new residential construction on vacant land -- which prevented direct movement of poor newcomers into new-growth areas (as in many cities in developing nations).

However, group solidarity also represents a hallowed American vision of social progress. It is most often cited by proponents of the free enterprise system as the model for overall economic progress: everyone's real income will rise over time, even though income differentials will remain significant. Also, the idealized versions of both small-town life and ethnic neighborhood life embody the group solidarity concept. In both, children stay in the community as they grow up and pass through the normal life-cycle stages, no matter what their individual variations in status. Their solidarity with the entire community keeps them there, overriding individual status differentials.

The following aspects of the group solidarity view of housing up-grading are worth examining further:

--Group solidarity up-grading is based upon the willingness of higher-status households to remain in the same neighborhoods with lower-status ones. In view of the predominance of creaming in American neighborhoods, this implies that the higher-status households must have some non-economic linkage with their lower-status neighbors -- such as membership in the same ethnic group or religion. Or the neighborhood itself can have some extraordinary attraction like a very central location. But without such special ties, high-status households are not likely to remain in lower-status surroundings unless they like social-class diversity for its own sake. Even where such ties exist, high-status households may have ambivalent feelings about staying -- as do many black middle-class households about remaining "in the ghetto."

--Group solidarity in housing may be easier to attain where non-housing symbols of social status and class differentiation are clear and widely recognized. An example is use of private schools by higher-status households but public schools by most low-status households -- in contrast to nearly universal use of public schools. Social castes, a hereditary aristocracy, normal employment of many servants, and other easily-perceived symbols can allow a high-status family to feel securely recognized as of superior status even if it lives surrounded by lower-status households. Since most such symbols are not easily recognized in the U.S., a household's place of residence itself becomes a central manifestation of its social status. This discourages high-status households from remaining in relatively low-status neighborhoods in U.S. metropolitan areas, although they often do in other nations.

--The very presence of higher-status households within a neighborhood exerts an up-grading impact upon the area, thus aiding other households, even if the up-graded ones do nothing specifically aimed at helping their neighbors. They act as an example of what can be achieved; they typically improve their own housing units; their purchasing power may draw more facilities and suppliers into the area; and their political influence and higher levels of demands may improve public services. Thus passive group solidarity can have important up-grading impacts.

--Group solidarity prevents isolation of the hardest-to-upgrade households in residual concentrations in the lowest-status neighborhoods. Thus it avoids one of the least desirable outcomes of creaming.

--Group solidarity up-grading in housing may be easiest to attain when middle-class mores and behavior patterns are dominant in the neighborhood concerned, since they are more consistent with the usual standards of higher-status households than are lower-income or lower-class mores and behavior patterns. This implies that group solidarity in housing is more likely in lower-middle-class areas than in the very poorest areas.

Recent changes in population flows within most large cities have shifted the type of up-grading that is socially most appropriate from creaming to group solidarity. However, it is difficult to develop effective mechanisms for changing the long-established creaming process in these cities. Up-grading through creaming was probably most appropriate when there was a constant in-flow of new, relatively poor in-migrants into nearly every large city. Creaming caused an offsetting out-flow of upwardly mobile households in the neighborhoods into which the newcomers were flowing, thereby making room for the latter. Also, there was no development of a "hard-core" residual group in each such neighborhood without much up-grading potential. A new supply of potentially upward mobile households was constantly entering to offset the departure of those who were moving to "better" neighborhoods. True, as the total number of non-upward-mobile households in the city increased (if it did), the geographic area occupied by such low-status households gradually expanded. But many of these same neighborhoods continued to function as temporary way-stations through which upward-mobile households passed. Therefore, they never contained only non-upward-mobile households.

This situation was radically changed when in-flows of poor in-migrants virtually ceased -- or shifted in the ethnic composition from blacks to Hispanics -- in the mid-1960s or thereabouts. With no in-flows of potentially upward-mobile households to offset the departure of those creaming to other neighborhoods, the population in the lowest-status black areas became increasingly dominated by non-upward-mobile households. This dominance intensified local conditions considered undesirable by nearly all

Americans (high rates of crime, vandalism, drug addiction, family breakdown, and ill health), thereby making it more difficult to persuade any non-poor households to remain there. In cities where in-flows of poor immigrants continued but shifted from black to Hispanic in nature, racial segregation caused the new in-flows to occur in non-black neighborhoods. This allowed the process of non-upward-mobile concentration just described to occur unchecked in low-status black neighborhoods, even though creaming continued to produce a more balanced population composition in low-status Hispanic neighborhoods.

What big cities need today is some means of implementing the group solidarity form of up-grading, at both the city-wide and neighborhood levels. This can be clearly seen at the city-wide level, since mayors are constantly advocating a "return" of the middle class to the city to create a "more balanced population." In the terms I have just been using, they want their upper-middle-class households to stop creaming into nearby suburbs, and remain in the city to help the entire city population move upward "in place" as a whole. Similarly, the philosophy of neighborhood revitalization -- insofar as it has been explicitly developed -- really calls for group solidarity among existing neighborhood residents. This philosophy implicitly assumes there is some relatively desirable and viable mixture of upward-mobile and non-upward-mobile households in the neighborhood to begin with, and that all of them will work together to improve the neighborhood.

That means those who are most successful in up-grading themselves will not immediately move somewhere else, but will remain to help up-grade the entire area.

Unfortunately, many of the lowest-status (and usually lowest-income) neighborhoods do not have viable mixture of these two types of households, but are "over-dominated" by non-upward-mobile households. This causes most upward-mobile households remaining there to leave as soon as they can -- further increasing the concentration of non-upward-mobile households. Reversing this process of concentration is one of the most difficult and frustrating tasks in urban revitalization. In some areas that have been devastated by severe abandonment and demolition, such reversal is probably impossible without totally emptying out the area and redeveloping it as a whole. In other neighborhoods where conditions are less adverse, improving the quality of life through physical up-grading, better municipal services, and providing more jobs is the first step. It should be emphasized that the mixture of households necessary to make such areas viable need not contain representatives of the entire social and income spectrum. The highest-income households represented in any numbers in such areas may be lower-middle-income in nature, rather than upper-income or upper-middle-income. Yet even the introduction and retention of lower-middle-income households would markedly change the present social mix, increase the fraction of upward-mobile households, and lay a foundation for group solidarity up-grading in the future.

Another aspect of successfully shifting to group solidarity up-grading is the need for some type of non-economic linkage among the residents of each neighborhood. This need is probably what led President Carter to approve of "neighborhood ethnic purity" in a moment of truthful insight before political considerations forced him to dilute that statement. "Purity" was an unfortunate choice of words, but neighborhood dominance by one ethnic group is a very effective form of non-economic linkage if that ethnic group has strong feelings of identity and solidarity. Membership in a single church or patronage of a single private school can also generate such linkages. Thus, the need to encourage neighborhood up-grading through group solidarity could cause many big cities to move away from a "universalist" emphasis to a more "ethnically parochial" emphasis. This could be quite desirable from the whole society's viewpoint, as long as no illegal or violent forms of exclusion or denial of opportunity are practiced to achieve it.

The group solidarity approach to neighborhood up-grading also precludes eliminating any mixture of social or economic classes by completely expelling the poor -- as in the so-called "regentrification" process. This is really creaming in reverse. The newcomers are relatively affluent households who buy old homes and renovate them. Their arrival raises housing prices so high that the initial low-income residents must eventually move elsewhere, leaving a "residue" of middle- and upper-middle-income households. In the theory of group solidarity up-grading (which hardly exists yet, but I hope I am contributing to its development), a significant fraction of the initial low-income residents should be retained in the area, perhaps through subsidies, so that they can enjoy the benefits of neighborhood up-grading too. On the other hand, there should certainly not be a total prohibition of actions that "displace" any poor households. That would block all higher-income households from entering a lower-income neighborhood, thereby preventing the most powerful existing up-grading force in big cities from having any impact at all.

D. Up-Grading Places or Residents?

This discussion emphasizes the distinction between up-grading a neighborhood conceived as a place, and up-grading a neighborhood conceived as a group of initial residents. Up-grading a place is a partly physical process, but also partly a social process -- both of which can be achieved by replacing most of the initial residents with those who have higher incomes and status. Up-grading a group of initial residents is much harder, especially in very low-status areas, partly because of the great mobility of residents in contrast to places. About 20 percent of all American households move every year, on the average -- 10 percent of homeowners and around 37 percent of renters. On the other hand, over 50 percent remain in the same house for more than five years. So in any area, there are lots of "stayers" and lots of "goers."

These facts have the following implications concerning neighborhood up-grading:

--It is almost impossible to design a neighborhood-oriented improvement program (which must be at least partially place-oriented) that can successfully aid all the initial residents. Many of them will have moved by the time the program starts to work.

--The divergence between up-grading a place and up-grading its residents is greatest in areas with a high initial proportion of renters, and least in those with a high initial proportion of owner occupants. Up-grading housing usually requires raising the costs of occupying it. Even if a particular unit is not physically improved, its value and rent may increase if most of the units around it are physically improved. The owners of the unit benefit from such increases, whether it is renter-occupied or owner-occupied. But renters are penalized, since they must pay higher rents to remain in the area. Also, renters are far more mobile; hence fewer of the original renters are likely to benefit from programs aimed at a place than are initial owner-occupants.

--Where place-oriented up-grading occurs in an initially low-income neighborhood with many renter households, it will probably be necessary to provide some renters with housing subsidies to enable them to remain in the area after rents and property values have risen. This will be necessary to attain the household income-mixture implied in group-solidarity up-grading.

--The benefits of any neighborhood up-grading program should not be restricted to those visible by looking at the neighborhood after the program is completed -- since many of its beneficiaries will have moved elsewhere. This is a shortcoming of many past evaluations of the Model Cities Program. The evaluators examined the Model Cities Neighborhoods themselves, saw little physical improvement or higher economic levels among the residents, and therefore concluded the program had failed. But they did not see all those original residents who -- having attained higher incomes and more social status through the program -- moved to "better neighborhoods." There will inevitably be some "spatial leakage" of benefits in any place-oriented up-grading program through such creaming, even if the program seeks to achieve group solidarity up-grading.

--The group solidarity approach to neighborhood up-grading seeks to combine both resident-oriented and place-oriented up-grading into one process that improves the status and incomes of the initial residents, persuades most of them to remain in the area (thereby up-grading its socio-economic status), and also improves the area physically.

--Not all households can be successfully up-graded; some will remain in low-status condition permanently. This is a hard conclusion for many people to accept, but experience confirms it. True, we have certainly nowhere nearly exhausted the creation of opportunities for people of low-status to up-grade themselves.

But there are some households -- probably many thousands, in fact -- who either will not or cannot do so, no matter what opportunities are offered to them. Where these households will live, and in what types of housing and other facilities, are important issues we have not yet confronted.

IV. ASPECTS OF PUBLIC POLICY RESPONSES TO LOWER POPULATION AND ITS IMPACTS

One of the main purposes of these hearings, I presume, is to discover what public policy responses -- if any -- should be made to declining city populations. Some aspects of such responses are discussed below concerning responses at the neighborhood level and at the city-wide level.

A. Policy Responses at the Neighborhood Level

A fundamental aspect of housing at the neighborhood level is the divergence between the interdependent nature of individual housing units on the one hand, and their fragmented ownership on the other hand. The market value of each housing structure is strongly influenced by the nature and condition of all the other structures around it. This is true because each current and potential future occupant is interested in his or her surroundings, as well as the unit itself. Such interdependence is usually recognized in the process of initially-building housing. A single developer normally creates a number of adjoining units or structures as part of a subdivision planned as a whole. But then these structures are sold to different owners, who exert independent control over such structure. Such fragmented ownership reduces the incentive of individual owners to maintain their properties, especially if they have negative expectations about the area's future. Since each owner cannot control what his neighbors will do about maintaining their properties, the rationality of his (or her) improving or maintaining his own property depends upon what he expects those neighbors to do. If he believes they have positive feelings about the future of the area, and will therefore be motivated to maintain their properties, then he is motivated to maintain his. His doing so reinforces the optimism of his neighbors, thereby encouraging them to continue doing what he expected them to do in the first place.

But if he believes they have negative expectations, it does not pay him to maintain his property. Then he thinks his neighbors will fail to maintain their properties, and his will lose value because of their neglect -- even if he maintains it. This negative belief causes him to let his property run down. His neighbors see his run-down property, go through a similar process of reasoning, and let their properties run down too -- thereby reinforcing his pessimism. Thus fragmented ownership of properties causes the maintenance of the area to depend heavily upon the prevailing expectations among property owners about how their neighbors will behave. Furthermore, this situation creates a volatility of expectations that makes neighborhood maintenance vulnerable to random shocks.

Consider an older area where all the individual owners are maintaining their properties, thus reinforcing their basically positive expectations about the area's future. Now one absentee owner fails to maintain his property because of factors totally unrelated to the neighborhood -- such as lack of personal interest, or lack of funds, or personal illness, etc. This creates a blight on the surrounding homes that puts a few negative thoughts into the minds of their owners. If two or three such neglectful owners let their properties run down, the area may begin looking seedy enough to cause some potential buyers to shift their demand somewhere else. If that causes more existing owners to become pessimistic about the area's future, they may stop maintaining their properties too -- thus launching a downward spiral that was, in reality, totally unnecessary.

This behavior pattern is important in considering the impact of population decline. Such decline reduces the demand for housing within certain neighborhoods. Hence some units there remain vacant, and their owners may fail to maintain them. This may cause a cycle of negative expectations to start along the lines suggested above. The result can be the deterioration and eventual abandonment of many housing units that were initially in good condition and could have kept on providing decent shelter for years. But there is no collective mechanism for rationally withdrawing some units from use while preserving the rest -- similar to the mechanisms for creating units collectively in the first place. In fact, the movement towards stronger neighborhood organizations in declining areas can be seen as an attempt to exert collective control over the entire market in recognition of the basic interdependence of properties there -- in spite of their fragmented ownership. We need various forms of such "neighborhood management" to allow for a reduction in density in large cities -- which means a withdrawal of many existing units from use -- without "contagion" effects that destroy adjoining units still in good condition. Strong neighborhood organizations that force absentee owners to maintain their properties through code enforcement represent one means of accomplishing this. But we need to develop still more powerful legal tools for actually taking over and managing -- or demolishing -- properties whose owners will not maintain them.

Another important aspect of falling-population areas is the inability of many poor households there to pay for "decent" dwellings without spending inordinately high fractions of their income for housing -- if then. Today, most of the nation's housing problems do not stem from physically inadequate dwelling units, but from the high cost of adequate units in relation to the incomes of their occupants -- and from undesirable neighborhood conditions. Whenever any low-status neighborhoood struggles to up-grade itself, it is confronted by the inability of many of its residents to pay enough for housing to maintain "decent" units. Either they must occupy sub-standard units, or they must pay huge fractions of their incomes for decent units, or they must move somewhere else, or they must receive some type of subsidy to close the "gap" between what they can reasonably afford and the minimum cost of a decent unit. Those are the only alternatives.

Up to now, our society has not been willing to provide sufficiently large total subsidies to close this "housing poverty gap" for anywhere near all the households who experience it. Until we are, some combination of the other three alternatives mentioned above must be used to cope with this "gap."

A final aspect of the impact of falling population upon housing in older cities concerns the difficulty of coping with this condition at the neighborhood level, since it stems from metropolitan-area-wide forces. Nearly every large city contains some specific neighborhood considered to be its lowest-status area. In some cities, this area is a heavily-abandoned disaster; in others, it is still in fairly good condition. But in any case, if no public intervention shapes market forces, the vacancies in the overall housing inventory caused by falling housing demand within the city usually "trickle-down" to this lowest-status area eventually. Those persons and organizations seeking to up-grade such an area are fighting forces generated far beyond the boundaries of this neighborhood itself. It is often extraordinary difficult, if not impossible, to overcome these forces without resorting to a city-wide housing strategy.

B. Policy Responses at the City-Wide Level

When the shift of households and jobs to the suburbs or other regions has caused a net drop in housing demand within a large city, that fall in demand must express itself somewhere in the city's housing market. This does not necessarily occur when a city loses population; but it does occur when the city has a net decline in number of households (this distinction was discussed earlier above). If the number of housing units in the city's inventory remains unchanged but total demand falls, the market value of at least some units therein must decline (relative to the average value). How should the city absorb that decline in market value? To allow the market values of all housing in the city to fall a little bit may seem the ideal response, but it is difficult to accomplish. As noted above, if no public intervention in the market occurs, vacancies tend to "trickle-down" to the lowest-status neighborhood, causing a concentration of value-declines there. Letting this happen can be considered a focussed market weakness strategy. It focusses the weakness in that area, allowing property values elsewhere to continue rising (or to remain stable in non-inflationary periods).

The basic problem is an over-supply of existing housing units; so one way to cope with this problem is to remove enough units from the inventory to allow the market values of those which are left to remain stable or rise. Then the owners of the demolished units bear the brunt of the decline in demand. In the focussed market weakness strategy, those units are located in the lowest-status neighborhood (or neighborhoods). The worst units in that area will remain vacant because of lower total housing demand. If nothing is done about them, their vacancy may begin to "contaminate" surrounding units that are still in good condition. Hence if the city government adopts a focussed market weakness approach as an explicit strategy, it should quickly identify units likely to remain vacant for long periods, and have those units demolished to reduce the total inventory.

This strategy probably is most appropriate when the lowest-status neighborhoods in the city are in very deteriorated condition, and contain many abandoned structures. Then it may be almost impossible to "revive" these neighborhoods under any likely circumstances, given the limited redevelopment resources available to every city. Although adequate public services should be maintained there, and all available help given to the residents in terms of social services and employment aids, it may be wasteful of scarce physical development resources to try to up-grade such areas physically. Rather, their residents could be helped to move to other areas and the land gradually emptied out for eventual re-cycling later.

A very different means of coping with reduced housing demand may be appropriate when the city has no areas plagued by such advanced deterioration. Then it may be desirable to adopt a spread-out thinning strategy. This means removing a few units from the inventory in many different neighborhoods, so no one area experiences any decline in property values. The total reduction in inventory should be enough to offset the total drop in demand, but its impacts should be widely dispersed. The city of Akron, Ohio, appears to be adopting this approach with some success. It has caused removal of many housing units formerly located in converted garages behind homes fronting on residential streets. Removal of these "extra" units leaves the homes and the residential character of the neighborhood intact, without producing any appearance of excessive vacancy. This strategy is probably only feasible if there is a reasonably strong market demand for the housing in nearly every part of the city, with no neighborhoods labelled by the market as "bad" or "undesirable." This situation prevails in many newer Southern and Western cities, but not in all large older Northeastern or Midwestern cities. In the latter, it is difficult to "steer" demand for housing initially focussed upon better-condition areas into highly-deteriorated areas in order to disperse the impacts of lower total demand.

Two other strategic responses to lower total housing demand within a city can be conceived of. One being widely practiced today I call the rhetorical revival strategy. It involves either outright denial that there has been, or will be, any drop in housing demand within the city, or admission that such a drop has occurred but assertion that it will be countered by "attracting more households back into the city." Those who practice this strategy recognize no need to reduce the city's housing inventory to prevent falling property values for the units that remain. In large older cities experiencing rapid declines in population, I believe this strategy is sheer wishful thinking that prevents city officials from adopting effective responses. But in some cities with no really severe deterioration, where the number of households is still rising even though population is falling, this strategy could be appropriate.

Furthermore, this strategy allows local officials to deny that the city is declining in any significant way. Making such denials is almost irresistible even long after real decline begins, because local officials do not want to generate "self-fulfilling prophecies" by admitting that decline is already occurring. Hence there is normally a significant lag between the time that housing demand within a city actually begins to fall, and the time that local officials will admit this has happened. During this "gap," there is sufficient uncertainty about whether a decline has begun, or whether it might be reversed if it has clearly begun, so that rational officials are motivated to deny its existence. They hope that such "official optimism" will keep property owners there from developing the type of negative expectations described above. But their denials may also cause them to ignore the need to cope with the decline in demand until long after it is underway. This can allow deterioration to start and become serious in certain areas before the city government tries to stop it.

The final strategy for dealing with lower housing demand in a city can be called the focussed market strength strategy. In this approach, public officials concentrate upon bolstering housing demand in certain areas where it appears strong, or has exhibited only marginal weakness. They allow market weaknesses to exist wherever else in the city they "spontaneously" appear. This approach may be consistent with a focussed market weakness strategy -- so both can be adopted at the same time. This strategy has several advantages: (1) it builds upon strength, which provides a visibly effective use of resources (whereas trying to cope with weakness rarely does so); (2) it allows public officials to concentrate their rhetoric upon the positive advantages of the city rather than its weaknesses, hence bolstering general expectations about the city's future; and (3) it avoids forcing public officials to explicitly single out those areas they are going to neglect -- thus arousing a storm of protest from the residents there. In reality, this strategy does neglect areas where weakened housing demand "spontaneously" concentrates -- thus allowing them to deteriorate, as discussed earlier. However, since elected officials do not mention this, they are somewhat protected from the most difficult political impacts of an explicit focussed market weakness strategy.

In considering which of these strategies should be adopted in a particular city, it is important to measure the total amount of resources available for physically up-grading deteriorated areas -- including both public-sector and private-sector resources -- against the total cost of up-grading those areas. In cities where deterioration has not become significant, total resources available may be sufficient to restore and maintain all the property in the city. Such a city may have a chance to make the rhetorical revival strategy work by attracting enough households back into it to offset any declines in housing demand that have occurred.

Cities where a decline in housing demand has clearly begun, but that also have little deterioration and no "terrible" neighborhoods, can consider a spread-out thinning strategy. They can try to offset declining demand by removing units from the inventory in many locations scattered enough to avoid stigmatizing any one neighborhood. That should be combined with using public resources to strengthen those neighborhoods where deterioration is just beginning.

But cities where major deterioration is already evident in one or several neighborhoods, and where total resources are clearly inadequate to fully restore all those areas, cannot use the above strategies effectively. In my opinion, they are almost compelled to use either a focussed market strength strategy, or a focussed market weakness strategy, or both combined.

In all cases, it is imperative for public officials to attract as much private capital into their strategy as they can. This means involving both the owners of existing properties and the operators of local financial institutions -- as well as neighborhood organizations and residents in the areas concerned -- in the selection, design, and operation of appropriate strategies. Private capital is much easier to attract into areas where deterioration is not advanced, and expectations are still optimistic, than areas suffering from opposite conditions. But some private capital can even be attracted into the worst areas if appropriate guarantees are developed and financed with public funds.

V. POLICY IMPLICATIONS

The following policy implications can be drawn from all of the factors discussed above:

1. Population declines in many large cities are part of a long-range decentralization process that is improving the housing, work-places, and neighborhood environments of millions of Americans -- perhaps even a majority of metropolitan-area residents. Therefore, public policy should not aim at stopping or reversing this process as a whole. Rather it should try to offset the undesirable consequences of this process, and remedy injustices arising from it. This means that a "total city revival strategy" aimed at restoring all large cities to their past peak populations is undesirable, as well as impractical.

2. Most public policies should focus on neighborhoods or other sub-city spatial units (such as downtown areas or industrial districts) as the appropriate scales for action, rather than entire cities -- since market forces act at the sub-city rather than the city-wide scale. True, certain fiscal and other policies must deal with entire cities. But words like "decline" and "revival" or "development" really should be applied to those smaller geographic entities, rather than entire cities, if we want to avoid false perceptions of what is really happening. This approach also allows using several different strategies simultaneously within a single city -- such as trying to help some neighborhoods "revive" while also trying to help others in the same city cope with much lower housing demand.

3. Public policies should help strengthen non-economic linkages within individual neighborhoods in large cities, and support the development of strong local organizations there, in order to encourage group-solidarity up-grading -- as long as no

unfair exclusionary practices occur. This means the direct encouragement of neighborhood action advocated by the Administration's national urban policy is highly desirable.

4. It is clear that local governments in many large, declining cities are bearing a disproportionate share of the fiscal costs of dealing with the nation's poor and unemployed. It is appropriate for the federal government to compensate them by targeting certain forms of fiscal assistance to those cities where such burdens are heaviest. This is already being done to some extent, and should be continued in both existing programs and the Administration's national urban policy proposals.

5. We need new mechanisms for neighborhood management so as to allow effective withdrawal of the worst-condition housing units from the inventory without undesirable "contamination" of surrounding units that can continue to provide adequate shelter. The Department of Housing and Urban Development should encourage innovation and demonstrations of such "collective control" mechanisms. Cities can also develop their own experimental versions using Community Development Block Grant funds. Strong neighborhood organizations can be the initial vehicles for such new management approaches.

6. Urban conditions in American cities appear in an immense diversity of forms and combinations; so it is important for national urban policies to allow diversified responses to those conditions largely determined at the local level. Hence each city, and in some cases each neighborhood, should choose its own

strategy for coping with its problems. This means federal aids should be packaged in block grants or similar forms allowing maximum local discretion, rather than in categorical programs. The Administration's proposed national urban policy advances several new categorical programs rather than strengthening the block grant approach. If these new programs are conceived of only as initial steps to get new ideas launched, and will later be folded into block grants, that may be desirable. But it would be undesirable for them to be retained as permanent categorical programs.

7. Because additional suburban housing construction is undermining demand for adequate-quality older units in many large cities, it is probably true that households who move into new suburban units are not bearing the full social costs of their moves. According to economic welfare theory, an extra tax should be placed upon use of new suburban units to discourage their occupancy in such situations, and to provide funds compensating the governments and property owners in the cities they are leaving behind. For example, if a federal building-permit tax of $100 per new suburban unit permitted were levied across the nation, that would have raised about $100 million in 1977 (if it did not depress new suburban housing starts), which could then have been used to finance rehabilitation and demolition activities in large cities experiencing population declines. A tax large enough to really discourage suburban building -- say, $1,000 per unit --

would raise even more revenue -- say, $750 million if it had dropped new suburban starts from about 1.0 million in 1977 to 0.75 million. However, this type of tax should be levied only in those metropolitan areas where suburban growth is in fact undermining the older inventory rather than meeting pressing needs for population growth. Moreover, calculating what such a tax should be, and where it should be applied, as well as getting it politically accepted by Congress and the nation, are probably not feasible tasks at present (if ever). Nevertheless, this situation provides added justification for two other policies: (1) encouraging states to have suburban jurisdictions share their property-tax and other locally-generated revenues with central-city governments in some way -- including intra-state revenue sharing; and (2) using federal income taxes, which fall disproportionally on higher-income households (those most likely to occupy new housing units), to provide targeted fiscal aids to central-city governments with high incidences of housing abandonment.

8. In view of the powerful relationships between suburban and central-city housing markets, it would be desirable to analyze what is happening and likely to happen in both those markets, and how these events will affect abandonment, up-grading and other key aspects of both, within each metropolitan area each year or at least once every several years. In most such areas, there is no area-wide government to perform such an analysis.

However, there is usually a regional planning organization, funded in part by federal money. Such organizations are already required by the Department of Housing and Urban Development to prepare housing elements in their basic plans, but these housing elements are not required to examine the relationship between suburban housing construction and inner-city abandonment and decay (insofar as I know). Analyzing this relatioship should be a required part of every such plan. Furthermore, HUD and the Census Bureau should provide more current information on key statistics useful in carrying out such analyses (such as the extent of abandonment in decaying portions of large cities). The resulting studies would be useful in the development and execution of state housing and urban development strategies, such as those being worked out in California and Massachusetts.

Household Changes and Housing Construction in 15 SMSAs with the Largest Declines in Population, 1970-7

Metropolitan area	Population change 1970-1975		Estimated household change 1970-1975		New housing units authorized 1970-1975	Ratio: new housing units/ added households	Percent of new housing units built in suburbs	Central city population loss, 1970-1975 percent
	Number	Percent	Number	Percent				
New York	-412,627	-4.1	16,680	+0.5	195,921	11.745	41.2	-5.2
Cleveland	-97,004	-4.7	-571	-0.0	49,794	-	87.8	-14.9
Pittsburgh	-79,138	-3.3	11,009	+1.4	46,781	4.249	90.8	-11.7
Newark	-58,443	-2.8	12,622	+1.9	29,797	2,361	91.5	-11.0
Los Angeles	-55,082	-0.8	134,225	+5.6	204,454	1.523	63.3	-3.2
St. Louis	-44,342	-1.8	35,413	+4.6	71,056	2.007	95.5	-15.6
Jersey City	-3[illegible],320	-5.0	-773	-0.4	9,194	-	77.2	-6.5
Buffalo	-22,363	-1.6	13,633	+3.1	34,009	2.459	93.7	-12.1
Seattle	-17,859	-1.2	24,738	+5.1	41,564	1.680	81.1	-8.3
Philadelphia	-17,109	-0.4	71,207	+4.5	141.328	1.985	85.8	-6.8
Dayton	-16,823	-2.0	12,133	+4.4	36,898	3.041	93.1	-15.6
Columbus, GA.	-16,[illegible]41	-6.9	-380	-0.5	9,525	-	23.0	-4.2
Akron	-12,082	-1.8	10,117	+4.6	22,734	2.247	77.6	-8.4
Paterson	-8,350	-1.8	4,478	+2.9	16,735	3.734	86.8	-[illegible].2
Utica	-6,431	-1.9	3,218	+2.9	4.674	1.452	46.[illegible]	N.A.
TOTAL	-894,514	-2.4	347,999	+2.9	914,464	2.628	71.8	---
Total excluding New York	-481,887	-1.8	331,319	+3.7	718.543	2.169	80.1	---

Household Changes and Housing Construction in 14 SMSAs with the Largest Gains in Population, 1970-1975

Metropolitan area	Population change 1970-1975		Estimated household change, 1970-1975		New housing units authorized 1970-1975	Ratio: new housing units/ added house-holds	Percent of new housing units built in suburbs	Central city population change, 1970-1975, percent
	Number	Percent	Number	Percent				
Houston	296,931	14.3	144,061	22.3	117,595	0.816	23.5	N.A.
Orange County	278,433	19.6	131,244	27.3	138,683	1.057	80.8	16.2
Tampa	259,128	23.8	114,043	32.4	152,199	1.335	76.7	0.7
Phoenix	250,186	25.8	111,240	33.9	144,278	1.297	57.3	14.3
Ft. Lauderdale	228,090	36.8	92,812	46.2	166,483	1.794	86.4	9.3
San Diego	226,729	16.7	111,259	24.2	141,645	1.273	58.7	11.0
Atlanta	194,611	12.2	103,073	20.0	161,074	1.563	89.1	-12.2
Denver	173,773	14.0	89,623	21.4	141,975	1.584	78.0	-5.8
Miami	171,689	13.5	87,801	21.4	153,767	1.751	84.0	9.0
Dallas-Ft. Worth	149,601	6.3	105,015	13.6	136,648	1.301	62.4	-5.3
Orlando	129,394	28.5	54,925	37.4	74,496	1.356	81.2	14.1
Washington	111,690	3.8	103,822	11.0	160,938	1.550	95.9	-5.9
San Jose	108,858	10.2	62,461	17.4	73,806	1.182	44.9	24.6
West Palm Beach	106,458	30.5	44,653	39.5	85,386	1.912	87.0	N.A.
Total	2,675,571	14.3	1,356,032	22.1	1,848,973	1.364	75.5	---

THE FISCAL PROBLEMS OF DECLINING AREAS

ROY BAHL
METROPOLITAN STUDIES PROGRAM
THE MAXWELL SCHOOL
SYRACUSE UNIVERSITY

TESTIMONY PREPARED FOR
THE SELECT COMMITTEE ON POPULATION
U.S. HOUSE OF REPRESENTATIVES

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THE PROBLEM AND THE EVIDENCE

Numerous empirical studies have documented the shift in population and economic activity from the Northeastern and Midwestern industrial regions, but the relationship between the declining economies and the fiscal health of their state and local governments has not been given adequate attention. Perhaps it is because the relationship between the economy and the fisc is so difficult to formulate and because state and local governments have so little control over the performance of the state/local economy that policy analysts have turned in other directions to grapple with fiscal problems. There is probably no more glaring example of this misunderstanding than the proposed solutions to the fiscal problems of the New York City government. Indeed, at least in the early stages, much more attention was focused on the financial management issues which surrounded the New York City and State near financial disasters than on the fiscal implications of the economic decline which was taking place. As a result, it is no great surprise that remedial management policies have done little to deal with the city's long-term fiscal problems.

In analyzing the linkage between regional shifts in economic activity and state and local government finances in the growing and declining regions of the United States, I would begin by proposing that regional shifts in population and employment are not undesirable per se and therefore should not be the object of remedial public policy. Nor is a trend toward interregional income equality or a growing homogeneity in the provision of public services across geographic areas detrimental to the public welfare. What is harmful about regional shifts and what ought to be at the center of concern about public policy to deal with such shifts, are the effects on unemployment, poverty, and the fiscal position of state and local governments. In a sense all three of these concerns can be translated into a more general concern for the distribution of income—more specifically, to a concern for the share of purchasing power or public services accruing to low income families. In this context, the problems of decline--those faced by the industrial Northeast and Midwest—would appear more difficult to resolve than the problems of growth--those experienced by the Southern tier states. Certainly there are migration barriers which would cause one to expect a holding of the jobless in central cities in declining regions and there are institutional barriers which would cause one to expect a worsening fiscal position for jurisdictions in the declining region. This is not to say that there are not severe fiscal and poverty problems in the Southern region, but rather, to say that the adjustment problems associated with regional shifts are likely to be more severe in the Northeast.

In earlier work I have argued the following straightforward thesis.[1]

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[1] "The Effects of Regional Shifts in Population and Economic Activity on the Finances of State and Local Governments: Implications for Public Policy," in Regional Development, (University of Texas Press, forthcoming).

The fiscal adjustments to gross and service demands and factor costs in the Southern tier, while painful as are all fiscal adjustments, could be absorbed in an expanding public sector which had a growing capacity to finance and a governmental structure and tax system more amenable to absorbing such decline. The decline in financial capacity in the Northern tier, on the other hand, did not induce a commensurate contraction in the public sector, partially because service demands did not decline as rapidly as taxable capacities and partially because there were formidable barriers to cutting public service costs (unions and inflation). The result is a narrowing of public service levels on a nationwide basis, by a higher tax burden on the declining region and a more limited ability of governments to deal with public servicing needs in that region. Moreover, there is a real possibility that governments in the declining region will adjust by cutting social services expenditures and service delivery employees. In such a case, the low income families in the declining sector may suffer disproportionately during the period of decline.

The fiscal implications of a deteriorating economic base for a state which has a highly developed public sector are particularly serious because of the difficulties of downward expenditure adjustment. This is well illustrated by the New York State case. Public service levels in New York, while not adequate by absolute standards in every area, are supported by a high level of expenditures. Public employee compensation, debt service and certain non-labor costs (e.g., energy related costs) are not easily controllable much less reversible; hence in the face of economic decline, it is not likely that large cutbacks in spending can easily be affected. To the extent much of the state's expenditure increases for debts due to rising compensation rates, the ability to slow down the rate of growth in spending is limited, particularly in a period of inflation. On the other hand, revenues respond dramatically to a slowdown in the rate of economic growth; hence, the resources to finance rising expenditure requirements do not materialize. The result of all of this is a required drastic cut-back in the level of public services and further increase in taxes which are already thought to be too high.

The evidence bears this thesis out relatively well. The public sector in Northern States has expanded at about the same rate as that in the Southern states despite very great differences in the growth of their respective economic and demographic bases(See table). As a consequence revenue effort in the Northern Tier states must have increased more rapidly, or the flow of Federal aid to the Northern states must have increased. The reality of an increase in revenue effort is borne out by a recent ACIR publication which attempts to classify states with reference to both the level and direction of tax effort.[1] Of the states classified as having high and rising levels of tax effort, nine are in the Northern Tier and three are in the South, and both per capita revenues from own sources and own source revenues per $1000 are significantly higher in the Northern Tier than in the South.

A similar pattern of imbalance is observable for expenditures. Given the relatively slower growth in financial capacity in the Northern states, a slower growth in fiscal activity might have been expected. In fact,

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[1] Advisory Commission on Intergovernmental Relations, Measuring the Fiscal Blood Pressure of the States (Washington, D.C.: U.S. Government Printing Office, 1977).

OVERALL RESPONSIVENESS OF REVENUES TO ECONOMIC ACTIVITY: 1963-1975

	Northern Tier			Southern Tier		
	1962-67	1967-72	1972-75	1962-67	1967-72	1972-75
Percent Increase in Revenues from Own Sources	47.0	82.0	29.0	54.0	80.9	38.5
Percent Increase in Personal Income	40.0	44.2	27.8	49.4	61.2	38.6
Revenue-Income Elasticity	1.2	1.9	1.0	1.1	1.3	1.0
Percent Increase in Total Employment	15.2	5.8	0.6	24.3	20.3	7.0
Percent Increase in Population	5.6	3.6	0.2	7.1	6.1	4.8

expenditure growth in the Northern tier states was not noticeably below that in the Southern states. Indeed, expenditures grew at a rate approximately 20 to 30 percent higher than personal income in both regions during the past decade, except for the 1967-1972 period, when per capita expenditures in the Northern Tier grew 87 percent faster than per capita income. Even in the 1972-1975 period, when total employment increased by about seven percent in the South and less than one percent in the North, per capita expenditures grew by about the same percentage in both regions. From this evidence, one might conclude that there was not a strong relationship between the growth in public expenditures in the two regions and the capacity to finance that growth. The explanations for expenditure increases in the two regions are at least partially to be found on the supply side, i.e., in terms of increases in the level of public employee compensation. The rate of increase in payroll per employee was higher in the Northern than in the Southern states over the 1962-72 period--this despite the fact that the capacity to finance such increases in Northern states was declining. By the 1972-75 period, the rate of increase in average wages in the North had fallen below that in the South. The rates of wage increase observed during these periods tends to support the thesis that increases in expenditures closely parallel increases in public employee compensation rates.

PUBLIC POLICY OPTIONS

It is important to separate the general fiscal problems of state and local governments from those which have been exacerbated by the regional shifts which lie at the heart of this discussion. It is particularly important to separate the fiscal problems and public service deficiencies which are primarily attributable to low income — the Southern problem.

The basic dilemma faced by several of the declining states in the Northeast is that their public sector has become overdeveloped relative to financial capacity. As a result, tax burdens are thought to be too high, there is little additional public money to be devoted to what are thought to be serious city fiscal problems, fixed debt and pension committnents are high, union compensation demands will likely parallel cost-of-living increments, and there seems to be no short term reversal of existing economic trends. To be sure, this pattern does not fit all state and local governments in the Northeastern and Midwestern regions, and likely describes some Southern metropolitan area governments. But the pattern tends to hold for many governments in the Northern Tier, and tends not to hold for most in the Southern rim.

The strategies for dealing with these fiscal problems would seem to be of four types: reversal of the economic decline, both in the central cities and the region; assistance during the transition period; a strengthening of fiscal position of the poorest local jurisdictions through a grants program and federal welfare assumption, and fiscal planning in the declining region to bring about a better balance between the size of the public sector and the size of the economic base available to support that public sector.

An alternative strategy would be to take no action to correct the fiscal problems of governments in the declining region. The argument would go that market forces are already underway which are correcting regional disparities in income, employment, and population; and that the regional disparities in public service levels also should narrow. Eventually, as the resource base continues to grow slowly, the public sector in the Northeast will also grow slowly. The problem with this line of reasoning is that shrinkage in the public sector in the Northeast will likely mean a cutting of service levels in those areas where expenditures are greatest -- health, education and welfare. This may imply that much of the painful burden of the transition to a lower level of public services will be borne by lower income residents in the declining regions.

Given these strategies, there would seem to be five policy directions open: cut services, raise taxes, increase productivity, increase federal assistance, or improve the local economy. The first three are options for state and local government action while the last two require federal action.

State and Local Government Options

Increased productivity in the public sector is a favorite policy recommendation in that it resolves fiscal problems without requiring governments either to raise taxes or cut services. While there is clearly room for improved management at the local government level, large savings (relative to projected deficits) from increased productivity in the public sector is not a realistic expectation.

Revenues might be increased through further increase in the effective tax rate. The argument against this is the possible retarding effect on economic development. State and local government revenue effort in the Northeastern and Midwestern regions is already high relative to the South, a difference that would reinforce the argument to lower rather than raise taxes for competitive reasons. While this pattern certainly does not hold for all states in the declining region -- Connecticut and Ohio have revenue efforts among the lowest in the United States -- it fits many of the large industrial states.

Service level reductions are the most likely result of these fiscal problems. While there will continue to be absolute cutbacks in some areas and reductions in the scope of some services, this will mostly take the form of services not expanding to accommodate increasing needs,and increasing unit cost of provision. This does not mean that expenditures will decline. Increasing wages and benefits can drive up expenditures by a significant amount, without raising service levels.

There is another type of reform which is highly desirable but politically difficult. If the tax base in the suburbs could be tapped more fully so as to balance needs for services with capacity to finance, the fiscal situation in central cities could be markedly improved. History has not shown this to be a viable alternative in the Northern industrial states.

Federal Options

The federal government could increase the flow of aid to the state to prop up the public sector during this period of decline. A program of increased aid during a transition period in which the state sought to balance its long-term spending expectations with its likely future economic growth would be a sane program. On the other hand, federal grants to maintain an over-developed public sector would only prolong the period of continuing annual fiscal crisis.

There are a number of federal policies which might be undertaken during the fiscal adjustment period--that period when the public sector in the North is moving to a lower level, which is commensurate with its capacity to finance. One element of such a program would be an expansion of the targeted local aid programs, e.g., countercyclical revenue sharing. But perhaps the most important ingredient of a fiscal reform would be a higher level of federal financing of public welfare. The removal of a substantial share of welfare costs from the declining states in the Northeast would free up substantial resources for other uses. The net effect would be to allow governments in the declining states to maintain a higher level of fiscal activity with respect to other social services.

A similar position might be taken with respect to regional development subsidies. They only prolong the period of transition to a lower, but stable level of activity. The longer the period of this transition, the greater the uncertainty with respect to business investment, and the greater the chance for a snowballing effect of the decline.

An often discussed approach to dealing with the problems of decline is the creation of a Regional Energy and Development Corporation that would finance regional development projects using federally guaranteed taxable bonds. It is hoped that such an activity would accelerate development of Eastern coal and result in substantial job generation. If regional subsidies worked, they could have a strong positive effect on the finances of governments in the declining region. There are two caveats, however, even to the potentially favorable governmental finance effects. One is that the fiscal problems in the declining region are very much the fiscal problems of the central cities in those regions. Historically, these cities have not always shared in the economic growth of the region, and therefore it is not clear how much their fiscal positions would improve in the event the regional shifts slowed. A second, and related caveat, is that the states in the declining region tend to be more heavily dependent on local property taxation which may make it difficult to fully capture increases in regional income and employment for the public sector. But the most important issue with respect to regional subsidies is whether or not they induce any net improvement in private sector economic activity.

A related issue is whether National Urban Policy will be focused on urban revitalization (i.e., trying to reverse the population decline and to hold the manufacturing sector in the city) or on facilitaing fiscal adjustments to population and economic decline. While the national recovery of the past three years has improved the fiscal position of even the most distressed cities, it is clear that these cities share disproportionately in economic recovery. Though the Administration's new program is not specific on an economic development strategy for urban areas, the tone of the program suggests a revitalization approach. Too little attention seems to have been paid the possibility of using Federal policy to assist local governments in declining areas in making fiscal adjustments during the transition period. Indeed there are some hopeful signs even for the most distressed cities: e.g., population and enrollments are declining, lowering service costs and infrastructure requirements; the energy crisis, housing costs, and growing proportions of singles and childless couples apparently increase the relative attractiveness of central city residential location; and even the loss in manufacturing jobs reduces congestion and infrastructure needs.

The Federal government's policy ought to be one of reinforcing these positive trends. Increased targeting to improve public service levels in hardship cities is one important area of reinforcement, a grant system that subsidizes capital stock maintenance as well as expansion is another, and a recognition that many cities' economic futures are not best served by a program of subsidy to attract and hold manufacturing activities is a third. Such a strategy would concentrate heavily on compensation of the declining central cities and their residents during the adjustment process.

STATEMENT

by

Thomas Muller

of
The Urban Institute

to the

House Select Committee on Population

June 7, 1978

OUTLINE

I. Linking Growth and Decline

II. Fiscal Issues of Growth
   (a) Need for Additional Services
   (b) Higher Per Capita Outlays for Public Services
   (c) Rising Unit Costs - Selected Services

III. Response to Growth
   (a) Federal Response
   (b) Local Response

IV. Policy Recommendations

LINKING GROWTH AND DECLINE

Relative growth and decline has always been part of our nation's economy with some areas growing more rapidly compared to others. However, until recently, relatively few areas were stagnating, with the notable exception of the Appalachian region. Real income was growing (except during the Depression) up to the late 1960's. Thus, it was possible for both the central city and suburbs to maintain strong economies. For example, in New York City and State, real per capita income was rising until the late 1960's. Similarly, the population of New York City was rising at a rate exceeding the national average for a century--from 1830 to 1930.[1] During an era of expanding population and income, the pie was getting bigger and most jurisdictions, large and small were improving their economic and fiscal posture

During the last decade, however, conditions changed. Real income has remained relatively constant. Median household income (in constant dollars) was $12,670 in 1968 and $12,686 in 1976. While mean income increased slightly, the average household was no better off in 1976 compared to 1968. More likely, disposable income (income after local, state and federal taxes) was probably reduced. Thus, the pie was no longer expanding.

outmigration from central cities (10.3 million net outmigration between 1970 and 1977) reduced the tax base of most older jurisdictions. Thus, the effect of suburban growth on central city stagnation became an important national issue.

It appears that the expansion of the interstate highway system, including beltways on the periphery of urban areas, accelerated the relocation of industry and business from the urban core to sites near limited access highways interchanges. As a result of this process and the absence of net growth, a "zero sum game" developed, where expansion in one area is directly offset by a decline somewhere else.

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[1] 4.3% of U.S. total in 1870, 6.4% in 1930, [illegible].8% in 1975

An example of this process can be illustrated in the city of Glens Falls, New York. A large shopping mall opened several miles from the city boundaries in 1975. As a result of the new shopping mall, there was a substantial absolute drop in retail sales in the city. Because real income was increasing very slowly, total sales changed only marginally in the Glens Falls area. Therefore a substantial share of sales in the shopping mall were either caused by the relocation of stores from the city, or as a result of consumers now shopping at the new facility who previously purchased goods in the downtown area. This relationship differed from earlier periods, when both the downtown and other areas were expanding.

Another example of the shift is within the New York City metropolitan area. Between 1970 and 1974, retail trade employment and sales (in constant dollars) in Suffolk County increased by about 20 percent, while they declined by a similar percentage in New York City. Sales gains in Suffolk County and other outer suburban counties in New York, New Jersey and Connecticut were offset by losses at the urban core. Since total purchases did not change, growth in one area was counterbalanced by losses in other jurisdictions.

Recent changes in the national economy explain much of the concern over urban decline and regional shifts in economic activity. In 1929, New York State residents had 25 percent of the nation's taxable income.[1/] While the state's share was reduced substantially over the next two decades, the problem did not become acute, since income remained substantially above the national average. Income and wealth were further reduced as a result of outmigration during the 1970s. The problem became acute at this point, and interest increased in understanding the causes for decline in one area while others were expanding. Therefore, it is

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[1/] State residents also paid 37 percent of all federal personal income taxes.

useful to consider issues of growth following hearings on decline in order that both of these issues be placed in a meaningful context. Indeed, it is not meaningful, from a policy perspective, to examine these issues independently, and this speaker, at several Congressional hearings, discussed the interrelationship between urban expansion and contraction.[1]

It is also important to recognize that both the type of problems which arise, and the federal response need to differ. In most instances (with some notable exceptions) local and state government have both the legal capability and economic resources to control or mitigate adverse economic effects associated with growth. The capacity of local government to respond to decline, however, is considerably more limited.

While it is necessary to recognize that impacts associated with growth differ in intensity from difficulties facing declining areas, some growing communities, nevertheless, face serious problems. Several common problems facing growing jurisdictions, as well as their responses, are briefly noted in sections which follow

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[1] Joint Economic Committee

FISCAL ISSUES ASSOCIATED WITH GROWTH

Need for Additional Services

As a community grows, the need for public services expands. For example, many smaller communities rely on only part-time police officers, and depend on the state or county police for major crime problems. Since crime rates, although rising in recent years, tend to be low in small towns, it is possible, in the absence of growth, to manage without 24 hour coverage.

Firefighting tends to be a volunteer function in almost all small jurisdictions and a number of large, low density suburbs. For example, Fairfax County, Virginia, with a population of over 600 thousand and among the most affluent in the nation, depends, in part, on a volunteer fire department. As population density rises, volunteer firefighters have to be replaced by full-time, paid personnel to manage fires in highrise buildings.

Smaller jurisdictions may not require tertiary or even secondary sewerage treatment, or an elaborate water storage system. Many necessary services are provided on a volunteer basis. Since the scope of services is generally narrow, there is little need for many of the services required in a densely populated urban area. Both the need for services and their unit cost rises as population expands.

Higher Per Capita Outlays for Public Services

One of the most significant fiscal effects of growth is that per capita service outlays will rise more rapidly than in communities with a stable population. This means, for example, that if a community grows from 30 thousand to 150 thousand residents, per capita outlays for similar services will typically rise by 30-45 percent. Differences in cost are attributable to several factors such as higher average wages for municipal employees and diseconomies in providing public services. Differences in per capita outlays as a function of population are shown in Table 1 . Police outlays are over three times as great in cities with one million or more residents compared to small cities. Among services shown, the only outlay which is greater in small cities is sewerage treatment, since there are some scale economies where large central treatment facilities are required.

Rising Unit Service Cost - Selected Services

As shown in Table 2, the rise in outlays for public services in four rapidly growing urban counties has been substantially more rapid than the rise in all large urban counties between 1972 and 1976. The most rapid increases are for capital outlays to expand the infrastructure, police outlays to offset higher crime, road maintenance and fire protection. For example, capital outlays increased by 110 percent, police protection 125 percent and highways 104 percent, or 2-3 times as fast as other urban counties.

We have all been able to demonstrate a strong positive correlation between population growth and the rise in crime rates.[1] This means that as a community grows, one can anticipate a rapid rise in crimes per capita.[2]

One observed pattern is that growing areas attract a disproportionate number of households wtth school age children. Older cities typically have had a sharper loss in enrollment compared to population . New York City is one of the two exceptions, probably because illegal immigrants are sending their children to public schools. The more typical pattern is observed in Nassau, Westchester, and Erie Counties, New York (see Table 3). In these areas, school enrollment has decreased more rapidly compared to population decline.

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[1] See Thomas Muller and George Peterson, Fiscal and Economic Costs, The Urban Institute.

[2] For a discussion, see Thomas Muller, Service Costs in the Declining City, prepared for the U.S. House of Representatives Sub-Committee on the City, November, 1977

Table 1

PER CAPITA OUTLAYS FOR CITY SERVICES BY POPULATION SIZE 1976

Function	Population Size (thousands)					
	million and over	500-99	100-499	50-99	less than 50	1 million/ 50,000
Police Protection	$87	$65	$42	$37	$28	3.1
Fire Protection	35	33	31	27	15	2.3
Sewerage	7	12	10	9	10	0.7
Financial Admt	9	9	7	6	5	1.8
General Control	19	18	11	9	9	2.1
Sanitation (other than sewerage)	27	16	13	11	10	2.5
Public Buildings	8	6	4	4	3	2.7
Total	$192	$159	$118	$103	$80	2.4

Source: Bureau of the Census, City Government Finances

Table 2

PER CAPITA OUTLAYS IN SELECTED GROWING URBAN COUNTIES 1972-1976

	Phoenix (Maricopa County)		Orlando (Orange County)		Nashville (Davidson County)		Virginia Beach	
	1972	1976	1972	1976	1972	1976	1972	1976
Total Outlays	$524	$773	395	644	397	642	340	588
Capital Outlays	107	160	68	100	50	141	32	137
Education	275	385	230	315	169	236	188	275
Police Protection	29	49	18	54	20	40	17	33
Fire Protection	11	16	9	27	12	25	4	13
Highway	24	32	13	30	22	40	18	55

Percent Increase 1972 - 1976
(Per Capita)

	Four Growing Urban Counties	All Large Urban Counties
Total Outlays	59.8%	43.1%
Capital Outlays	109.3	24.5
Police	109.5	48.4
Fire	125.0	41.2
Highways	103.9	34.4

Bureau of Census Local Government Finances

Table 3

SCHOOL ENROLLMENT IN SELECTED AREAS OF NEW YORK 1970-1976

	1970 (in thousands)	1976	% Enrollment Change	% Net Migration	School Enrollment % of Population - 1976
New York City	1113.8	1096.5	-1.5%	-8.0%	14.7%
Balance of State	2328.9	2285.9	-1.9	-0.1	21.5
Greene	7.7	8.8	14.3	16.3	22.7
Orange	51.7	57.3	10.8	8.0	23.1
Putnam	12.7	17.0	33.9	19.6	27.7
Saratoga	32.2	38.6	19.9	13.3	26.6
Suffolk	299.3	331.2	10.7	8.2	25.9
Sullivan	11.4	12.5	9.7	14.9	20.6
Nassau	330.9	282.2	-8.5	-3.4	20.2
Westchester	169.5	161.6	-4.7	-3.3	18.4
Erie	217.7	202.4	-7.1%	-4.8%	18.6%

Source: New York State Education Department

However, several of the growing counties in New York State, namely Orange, Putnam, Saratoga and Suffolk have enrollment increases greater than population gains. Thus, schools in these areas have higher outlays for education per capita than jurisdictions with a stable population. For example, 28 percent of Putnam County's population is in public schools, compared to only 18.4 percent in Westchester County.

Expansion of Employment

One positive impact of growth is that areas with inmigration tend to have an expansion in jobs. Indeed, as shown in Table 4, areas with population growth tend to have job opportunities which are expanding more rapidly than population. While the entire state (with the exception of New York City, Buffalo and several smaller cities) had employment growth, jobs in New York City declined as rapidly as population. In Suffolk County, jobs increased three times as fast as population.

EMPLOYMENT AND POPULATION GROWTH
NEW YORK STATE
1970-1976

Table 4

County	Employment (thousands) 1970 (thousands)	1976 (thousands)	% Employment Change 1970-1976	Net Migration 1970-1976
Greene	5.9	6.7	14.3%	16.3%
Orange	44.7	52.5	17.5	8.0
Putnam	5.2	7.4	41.1	19.6
Saratoga	15.7	19.2	23.7	13.3
Suffolk	178.8	222.2	24.3	8.2
New York City	2896.8	2665.7	-8.0	-8.0
Balance of State	2522.5	2759.5	9.4	-0.1
U.S.	70,920	78,688	11.0	

Source: New York State Department of Labor

RESPONSE TO GROWTH

Federal Response to Problems of Growth

Section 608, Public Law 93-552. This legislation, aimed at offsetting anticipated fiscal problems arising from the construction and operation of a large defense facility in Kitsap County, Washington State, authorizes supplemental assistance to the impacted area, including state agencies. The objective is to avoid imposing an unfair and excessive financial burden on the area which would result from immigration projected to increase the population of Kitsap County by almost 25 percent.

Assessing the Fiscal Impact of Growth. In order to implement the legislative requirements and become eligible for funds, extensive fiscal impact analyses were undertaken by federal, state and local agencies. These studies concluded that substantial additional capital facilities were needed to meet the requirements of incoming households. Acquiring these facilities without reducing services for existing residents, or substantial tax increases, would require assistance which could not be fully met from existing federal programs. The focus of the program was to meet the need for capital facilities rather than to fund the operation of county or municipal departments.

Justification for Federal Intervention. Federal intervention in this instance appeared justified for two reasons:

(1) The benefits of the program (improved defense capabilities) were national; thus, the net costs associated with its implementation should be borne by all residents,

(2) As a result of tax exemptions and the comparatively low income of military personnel, no fiscal surplus was likely to be generated to meet the cost of expanding the infrastructure.

(3) State imposed limits on revenue from property taxes do not allow local government to fiscally benefit from the rising property base attributable to growth.

School Impact Assistance (PL 875 and PL 814). During the 1950s, Congress passed legislation aimed at aiding districts growing because of an influx of military and other DOD-related personnel.

Justification for the assistance was based on the fact that neither military facilities nor on base housing are subject to property taxes. Thus local jurisdictions are burdened by the influx of military households.

The programs have been the subject of much controversy, and have been funded in recent years at a level where needs based on the criteria specified in the legislation cannot be fully met.

Coastal Zone Management. The Coastal Zone Impact Program was established under the provisions of the 1976 amendments to the Coastal Zone Management Act of 1972. Its main objective is to provide Federal aid to coastal states that are likely to experience adverse economic (and environmental) impacts from population growth attributable to new or expanded energy activity. The rationale for the bill is that energy exploration is a national benefit, and net costs should be shared by all residents. The program combines loans and grants to local and state agencies meeting various criteria.

Local Response to Fiscal Growth Issues

Immigrants to a community have higher incomes than the base population, purchase above average housing, and thus pay more taxes per capita compared to the base population. These households also tend to be young, more likely to have school age children, and demand more services than older community residents. Thus, one finds both revenues and expenditures arising in growing jurisdictions. One difficulty facing growing communities is the need for additional capital investment. Among approaches to deal with fiscal problems are the following:

Shifting Costs to Developer and Consumer. Costs are shifted by a more frequent use of fees, land dedication requirements and other means which require that the developer provide the land and build part or all of the infrastructure, including water and sewer lines, streets, and in some instances, fire stations. The shift from present residents to those purchasing the property increases the cost of new housing. Since the value of the existing housing stock tends to reflect the cost of new units, this benefits present residents who own their homes. This approach is applied widely in California and Florida.

Limiting Development. Artificial constraints on new construction, using various land use controls and other mechanisms, are applied to limit the quantity and increase the cost of new construction. Zoning and other restrictions tend to drive up the price of land and housing. This benefits directly community residents owning unimproved land.

Changing the Existing Tax Structure. Growing communities frequently diversify their tax base from one almost totally dependent on real and personal property to one that adds other revenue sources such as sales and business taxes. This decreases the dependence on property taxes, and shifts some of the local tax burden to nonresidents such as shoppers and commuters.

RECOMMENDATIONS - ECONOMIC IMPACT OF GROWTH

The changes in the characteristics and location of the nation's population will require legislative action at the federal level. At the present time, several federal programs provide assistance to growing areas.

Among specific recommendations are the following:

1. Assess effectiveness of federal legislation aimed at assisting fiscally areas experiencing rapid population growth to determine:
   - (a) whether such assistance is warranted given economic inducements associated with growth
   - (b) if funds actually recieved were used to meet stated objectives

2. Determine under what conditions federal (in contrast to state) regulation or assistance is necessary and justifiable to offset adverse effects of economic growth.

3. Assess the net fiscal economic and social impacts of population movement from the urban core on:
   - (a) individuals migrating
   - (b) the remaining urban core population
   - (c) the recipient communities
   - (d) local, state and federal government, including the need to duplicate or maintain municipal facilities and services

4. Determine if the urban and regional economic impact statements now required when federal departments and agencies propose new programs and regulations provide the type of information necessary to guide both Congress and the Executive Branch in formulating policies and programs.

Among the four specific recommendations, the relationship between growth and decline is the most important in drafting future legislation. Specifically the social costs and benefits associated with migration need to be considered in the development of transportation, economic development, housing and similar programs.

TESTIMONY OF EILEEN R. ANDERSON
DIRECTOR OF FINANCE, STATE OF HAWAII

TO THE

HOUSE SELECT COMMITTEE ON POPULATION
UNITED STATES HOUSE OF REPRESENTATIVES

JUNE 7, 1978

INTRODUCTION

Hawaii is an Island State located roughly in the middle of the Pacific Ocean. Twenty-four hundred miles to the northeast lies the coastline of the continental United States; 3,800 miles to the northwest lies the coastline of Japan; 5,100 miles to the southwest is the continent of Australia; and 2,800 miles to the north is the State of Alaska.

Hawaii has a land area of 6,425 sq. miles, making it the fourth smallest state in the nation. The land area of Hawaii is distributed over seven populated islands as follows:

Exhibit 1

Land Area by Island
(Square Miles)

Island	Land Area	% of Total
Hawaii	4037.0	62.8
Maui	728.2	11.3
Oahu[a/]	595.7	9.2
Kauai	548.7	8.5
Molokai	260.9	4.1
Lanai	139.5	2.2
Niihau	69.6	1.1
Other Islands (nonpopulated)	45.8	0.8
Total	6,425.4	100.0%

a/ Includes the Northwestern Hawaiian Islands, which occupy 3.0 square miles and which, for census purposes, are included as part of the Island of Oahu.

The highest peak in the state is Mauna Kea which rises 13,796 feet above sea level. The islands have a total coastline of 750 miles. Climatically, Hawaii has a remarkably balmy temperature and wide ranges in rainfall. The all-time temperature range for downtown Honolulu for example is 57-88° F. Normal precipitation ranges from 5.7 inches on the Island of Hawaii to 486 inches on the Island of Kauai.

Out of the 4,128,000 acres of land in the state 1,220,000 are in agriculture, 1,190,000 acres in forest reserve, 155,705 acres in urban use and another 1,300,000 in unused open space. The federal government owns 7.3 percent of all land in the state; the state and counties own 34.7 percent; and private landowners (mostly large estates) own 58 percent.

Hawaii's major export industries are tourism, agriculture (chiefly sugar and pineapple) and defense expenditures. Direct income from these four sources is shown in Exhibit 2.

Exhibit 2

Direct Income from Major Export Industries, 1976

Industry	Export Income	% of Total
Sugar	$ 252 million	8.8
Pineapple	$ 120 million	4.2
Visitors	$1,450 million	50.8
Defense	$1,034 million	36.2
Total for Four Major Industries	$2,856 million	100.0%

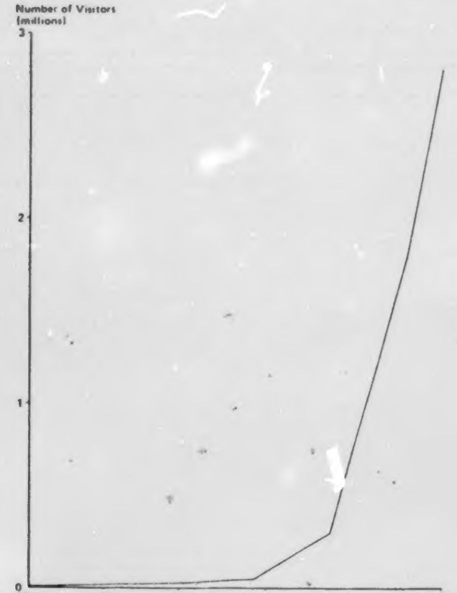
Beginning in World War II and up until 1970, defense was the state's major industry. Prior to that, sugar and to a lesser extent, pineapple dominated the economy. To this day, vestiges of the plantation structure remain, particularly in the rural areas of all islands. However, during the 1960's tourism began its phenomenal growth and in 1970 it became the state's leading export industry. Tourism is not an industry in the usual sense, but is made up of a complex array of businesses including hotels, scenic attractions, travel agencies, gift shops, restaurants, etc.

Climate and environment largely account for Hawaii's development as a visitor destination area, aided, of course, by technological breakthroughs in aircraft design and the phenomenal growth of the travel and leisure-time markets. Clearly, improvements in the size and speed of airplanes have brought Hawaii closer time-wise to the Mainland United States and Japan.

Some indication of the phenomenal growth of tourism may be seen in the following exhibit, which provides a graphic display of the annual number of visitors arriving in Hawaii during the period 1920 through 1975. In 1940, there were only 25,000 tourists who visited Hawaii. By 1960, visitor arrivals had reached 250,000 and by 1976 there were more than 3,000,000 overnight visitors.

Exhibit 3

Visitors to Hawaii, 1920-1975



HAWAII'S POPULATION

At the turn of the century, Hawaii's population numbered slightly more than 150,000. Since then, the population has expanded almost sixfold, reaching an estimated 894,700 persons as of mid-1977, reflecting an average annual growth rate of 2.3 percent. (See Exhibit 4.) If the de facto population is considered, Hawaii's population is nearly one million people. While Hawaii's absolute population size may seem insignificant when compared with that of other states, the nation, or the world, the rate of growth and its relationship to the state's land area is not.

Exhibit 4

Population of the State of Hawaii, 1900-1977

Date	Population
1900: June 1	154,001
1910: April 15	191,874
1920: Jan. 1	255,881
1930: April 1	368,300
1940: April 1	422,770
1950: April 1	499,794
1960: April 1	632,772
1970: April 1	769,913
1977: July 1 (est.)	894,700

1900-1977 - Growth Rate - 2.3%

As compared with other states, Hawaii is among the fastest growing. Between 1960 and 1975, it ranked as the sixth fastest growing state in the nation (following after Nevada, Arizona, Florida, Alaska, and Colorado, in that order). Comparing Hawaii's rate of growth since 1960 with that of the United States, we find that Hawaii's growth rate of 2.0 percent has been almost twice that of the nation as a whole. Moreover, as illustrated in the exhibit that follows, Hawaii has been growing about 0.4 percentage points above the world average in recent years.

Exhibit 5

Population Growth Rates:
Hawaii, United States and the World

	1960-1975	1970-1975
Hawaii	2.0%	2.2%
United States	1.1%	.9%
Worldwide	1.9%	1.8%

In addition to an extremely rapid rate of population growth, Hawaii's population problems are aggravated by the gross imbalance in population distribution. Of the state's seven populated islands, more than four-fifths of the people live on the Island of Oahu, which is the industrial, business, and political center of the state. In 1976, Oahu's resident population numbered 718,400. The military comprised a large segment of the island's population: approximately one of every six residents was either military personnel or their dependents. Visitors added 6.6 percent to the resident population, bringing the de facto population on Oahu to 766,100.

The next most populous island in the Hawaiian chain is the Island of Hawaii, called the "Big Island" because it contains almost two-thirds of the state's total land area. In 1976, its resident population numbered 76,600 which represented 8.6 percent of the state total. At one time, some 200 years ago, Hawaii was the most populous of the islands, having perhaps 40 percent of the inhabitants of what was then The Kingdom of Hawaii.

Among the remaining islands, Maui with a 1976 population of 50,000 persons, has been the fastest growing in the current decade. Kauai has 33,860 persons or 3.8 percent of the state's population. Molokai, an island about 40 miles long and 7 miles wide, has had a relatively constant population of about 5,000 for 50 years. Lanai is primarily agricultural and approximately 2,000 persons live there. The least populated of the Hawaiian Islands is Niihau, a small privately-owned island. In 1976, it had 243 residents, of whom 95 percent were full- or part-Hawaiians.

Since the turn of the century, up until 1970, most of the population growth has occurred on Oahu. This phenomenon appears to have reversed itself in 1970, however, with the other islands now growing at a pace faster than Oahu. Between 1940 and 1970, the census figures for the islands of Hawaii, Maui, Kauai, Molokai, and Lanai dropped, partly because of the out-migration of young people looking for jobs in Honolulu and on the United States Mainland. With the recent development and growth of the tourist industry on the "outer" islands, the number of residents there has grown to an estimated 168,200 in 1976, which still is only 3,000 persons more than their population in 1940.

Exhibit 6, which provides a summary of Hawaii's population size and distribution by island, illustrates the heavy concentration of the state's population on one island. Also shown are the growth rates for the resident population by island during the current decade.

Exhibit 6

Hawaii's Population Distribution and Growth Rates by Island

	1976 Population		Resident Population	
	Resident	De Facto	% of Total	1970-1976 Growth Rate
Oahu	718,400	766,100	81.0%	2.1%
Other Islands	168,200	189,700	19.0	3.1
Hawaii	76,600	82,800	8.6	3.1
Maui	50,000	59,800	5.6	4.2
Kauai	33,857	39,057	3.8	2.2
Molokai	5,500	5,800	.6	.7
Lanai	2,000	2,000	.2	-1.5
Niihau	243	243	..	.4
Statewide	886,600	955,800	99.8%	2.3%

As a result of the large number of people who live on Oahu, the de facto population density on this one island was 1,286.0 persons per square mile in 1976--more than 40 times the density of the other islands combined. As illustrated in Exhibit 7, Honolulu, which includes Waikiki and contains approximately half of Oahu's resident population, had a density of over 4,000 persons per square mile in 1976. Within Honolulu proper, there are some areas with as many as 30,000 to 60,000 persons per square mile, an amount comparable to some of the most densely occupied areas of the world.

Exhibit 7

De Facto Population Density by Island, 1976

Island	Land Area (square miles)	Population Density (per square mile)
Oahu[a]	595.7	1286.0
Honolulu[a]	83.6	4258.0
Rest of Oahu	512.1	707.8
Other Islands	5,783.9	32.8
Hawaii	4,037.0	20.5
Maui	728.2	82.1
Kauai	548.7	71.2
Molokai	260.9	22.2
Lanai	139.5	14.4
Niihau	69.5	3.5

[a] *Includes the Northwestern Hawaiian Islands, which occupy 3.0 square miles and which, for census purposes, are included as part of the Island of Oahu.*

The demographic history of the past 200 years in Hawaii is marked by a substantial decline in the number of native Hawaiians during the century after Captain Cook's arrival in the islands, the gradual repopulation by immigrant national groups, the intermarriage and development of a multi-ethnic society, and the recent expansion of the population by foreign immigrants and by in-migrants from the continental United States. Because the current population of Hawaii emerged from a culturally and racially diverse stock, an analysis of its ethnic composition offers one of the most interesting and complex statistical problems in the study of Hawaii's demography. No one ethnic group comprises a majority of the state's population. The most numerous are the Caucasians and the Japanese, followed by the Filipinos. Other ethnic groups include Hawaiians, part-Hawaiians, Chinese, Koreans, Samoans, Puerto Ricans, and Negroes.

FACTORS BEHIND THE STATE'S POPULATION GROWTH

It is clear that migration has come to be the dominant factor in the growth of population in Hawaii in the 1970's. The quality of life that makes the islands attractive to its inhabitants also attracts new residents. Hawaii's population has reached a low rate of fertility, primarily because of modern methods of birth control, education, and changing social and economic attitudes favoring small families.

Therefore, if a slower rate of population growth is to be realized in Hawaii, migration must be the primary focus of attention.

Hawaii bears a significant burden with respect to immigration--a problem that has reached new dimensions as a result of changes enacted in the federal immigration laws in 1965--and migration from the United States territories and possessions.

Migration vs. Birth Rate

Recent trends indicate that Hawaii's population growth has been increasing due to an excess of in-migration over out-migration, rather than to the natural components of births over deaths. Whereas net in-migration accounted for only 40 percent of the net change in Hawaii's civilian population (excluding the military and their dependents) during the 1960's, it has accounted for more than half of Hawaii's population increase since 1970. (See Exhibit 8.) Over the same period the population increase due to an excess of births over deaths has diminished in importance. For example, natural increase provided 63 per cent of the population growth between 1960 and 1970. This percentage had fallen to 45 percent in the period 1970 to 1976.

Exhibit 8

Components of Change in Hawaii's Civilian Population
(Excludes military and their dependents)

	1960-1970		1970-1976	
	Number	Percent	Number	Percent
Net Population Change	132,136	100.0	110,700	100.0
Natural Increase	83,810	63.4	49,500	44.7
Military Separations Less Inductions	- 4,120	- 3.1	2,700	2.4
Net Migration	52,446	39.7	58,500	52.9

The estimated net migration to Hawaii in the decade between 1960 and 1970 yielded an annual average rate of civilian population growth by migration of about 5,240 persons. Between 1970 and 1976 this figure increased to 9,750 persons annually.

Most recent arrivals to Hawaii are young adults, with a median age in 1976 of 24.3 years. Less than 2 percent of the migrants were over age 60. While immigrants of earlier periods (1850-1930) were primarily single male adults, the recently arrived non-military residents of the 1970's have included more women than men. A large number of the new residents have been children and young adults of childbearing age. In 1970, almost 25 percent of the resident population of Hawaii age 5 or older had been living elsewhere five years earlier.

Foreign Migration

Approximately one-fourth of all in-migrants are aliens, while the remainder are U.S. citizens. During the 1970's, the largest immigrant groups were Filipinos (53.9 percent), Koreans (15.1 percent), Japanese (7.1 percent) and Chinese and Taiwanese (6.4 percent).

Exhibit 9

Immigrants Admitted to Hawaii by Country of Birth, 1970-76

Country	Number	% of Total
Canada	588	1.2
China & Taiwan	3,156	6.4
Japan	3,526	7.1
Korea	7,455	15.1
Philippines	26,626	53.9
Other Countries	8,007	16.2
Total	49,358	99.9%

Precise information is not available on the distribution of net in-migrants between alien migrants (immigrants) and citizen migrants (persons moving to Hawaii from the Mainland United States or from United States territories and possessions). However, it has been estimated by the State Department of Planning and Economic Development that alien migration now accounts for approximately 70 percent of Hawaii's net in-migration. As illustrated in Exhibit 10, alien migration has represented an increasingly larger share of net in-migration since 1960.

Exhibit 10

Estimates of Civilian Net In-Migration:
Citizens vs. Aliens

	1960-1965	1965-1970	1970-1975
Citizens	84%	55%	29%
Aliens	16%	45%	71%

The fact that immigrants have come to represent an increasingly larger proportion of net in-migration is due in part to the fact that immigration per se to Hawaii has risen dramatically, particularly since 1965. Prior to 1965, there was a quota system which, being based on the composition of the United States population, favored emigrants from Europe and the Americas, and discriminated against Asians.

In 1965, a bill to amend the Immigration and Nationality Act was enacted. These amendments abolished the national origin system in favor of a system that:

- reunited families;
- allowed in members of the professions, persons with exceptional ability in the arts and sciences and skilled and unskilled workers, provided that all such individuals meet the labor certification requirements established by the Secretary of Labor;
- limited total annual migration to 120,000 from the Western Hemisphere and 170,000 from the Eastern Hemisphere; and
- limited the number of visas for any one country in the Eastern Hemisphere to no more than 20,000 with exemptions for minor children, spouses of citizens, and parents of citizens over 21 years of age.

Transition to the new system was completed in July 1968.

Since the 1965 amendments to the Immigration and Nationality Act were passed, the proportion of European's immigrating to the United States almost halved, while the proportion from Asia almost quadrupled. Emigration from the Americas decreased by 6.2 percentage points, but emigration from other areas did not change substantially. The fact that only one of every fourteen immigrants was Asian in 1965 but had risen to one in three in 1973 illustrates the dramatic changes in the United States immigration patterns that have occurred as a result of the 1965 amendments.

Because of its multi-ethnic population and central location in the Pacific, Hawaii has always been a popular destination for people emigrating from Asia. Thus, when the 1965 amendments to the Immigration and Nationality Act were implemented, a disproportionately large number of immigrants began selecting Hawaii as their place of intended residence. In fiscal year 1975, for example, Hawaii received 8.70 immigrants per thousand population, the highest rate in the nation and 4.79 times the United States average. (Exhibit 11.) Moreover, it is reasonable to expect immigration to Hawaii to remain at a high level as the large number of immigrants who came after the liberalized 1965 amendments attain citizenship or establish permanent residence and, in turn, sponsor relatives who may then immigrate under the preference system.

Exhibit 11

States Receiving More Than the United States Average Immigration in FY-1975 per Estimated Population on July 1, 1975

Rank	State	Preference Rate 1975	Immigrants Per 1,000 Civilian Population
-	U.S. Total	1.00	1.83
1	Hawaii	4.79	8.70
2	New York	2.62	4.78
3	California	2.18	3.98
4	District of Columbia	2.00	3.60
5	New Jersey	1.95	3.56
6	Florida	1.52	2.77
7	Rhode Island	1.25	2.31
8	Massachusetts	1.23	2.25
9	Illinois	1.22	2.23
10	Texas	1.09	1.98
11	Arizona	1.07	1.95
12	Connecticut	1.04	1.91

The substantial growth in alien in-migration to Hawaii that resulted from the 1965 change in the immigration laws is summarized in the following two exhibits. Whereas prior to 1965, immigrants to Hawaii averaged approximately 1,800 a year, the current arrival rate is about 7,000 per year.

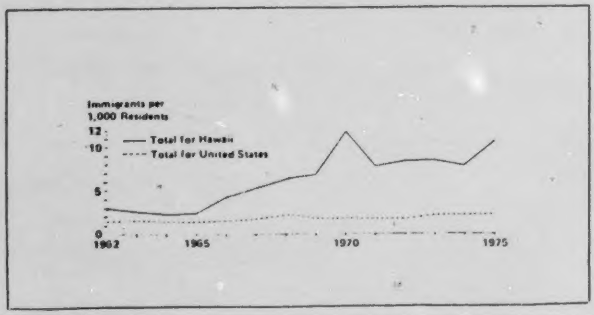
Exhibit 12

Immigrants Admitted to Hawaii for Selected Periods

Period	Total No.	Annual Average
1961-65 (Pre-Amendments)	8,921	1,784
1966-68 (Transition)	11,588	3,863
1969-72 (Post-Amendments)	27,032	6,758
1973-76 (Post-Amendments)	27,525	6,881

Exhibit 13

Foreign Immigration Rates for the United States and for Hawaii



As a result of accumulated immigration, the number of aliens in Hawaii totaled 65,339 in fiscal year 1975, 91 percent of whom were permanent residents. As shown in Exhibit 14, aliens comprised 8.2 percent of Hawaii's civilian population in fiscal year 1975, a larger proportion than any other state in the nation and substantially larger (3.7 times) than the national average of 2.2 percent. Filipino aliens comprised more than half of the total permanent alien residents in Hawaii due to the large numbers currently immigrating and a large number of older, long-term residents who, for personal reasons, do not wish to relinquish their Philippines citizenship. The Japanese alien group, the second largest alien group in Hawaii, is primarily composed of older, long-term residents since the number of immigrants from Japan has not been large in recent years. It can be expected that the proportion of Japanese and Filipino aliens will decrease as the elderly, long-term resident aliens, who probably will not apply for U.S. citizenship, pass away. Since there were comparable numbers of Korean aliens (4,334) in 1975 and immigrants arriving between 1972 and 1975 (4,776) who were not yet eligible to apply for citizenship, it can be concluded that Korean aliens, the third largest alien group in Hawaii, is composed almost entirely of new immigrants unlike the Japanese and Filipino alien groups.

Exhibit 14

States with More Than the U.S. Average Proportion of Aliens per Estimated Civilian Population in FY 1975

State	Population (Thousands) Civilian	Aliens	Aliens Per 100 Civilian Population
U. S. Total	211,445	4,714.0	2.2
Hawaii	806	65.3	8.2
California	20,896	1,129.7	5.4
Florida	8,265	371.1	4.5
New York	18,094	794.5	4.4
New Jersey	7,289	269.4	3.7
Rhode Island	923	30.2	3.4
Connecticut	3,081	99.0	3.2
Massachusetts	5,814	177.0	3.1
Arizona	2,197	60.1	2.7
Texas	12,083	327.7	2.7
Illinois	11,107	286.6	2.6

The preceding discussion of how Hawaii is impacted by immigration does not take into account the fact that the state is also impacted by migration of American Samoans who are U.S. Nationals and therefore not enumerated by the U.S. Immigration Service. While technically speaking, American Samoans are not immigrants, many aspects of their culture are very different from the American norm and they tend to experience the same types of problems as foreign immigrants.

The current wave of Samoan migration is a continuation of a movement that began in 1951 when the U.S. Navy transferred 117 Samoan naval personnel along with their 257 dependents to Pearl Harbor. In 1952, an additional 958 Samoan enlistees, military dependents, and others who had sponsors in Hawaii arrived in Honolulu. Since 1952, no accurate count of Samoans coming to and leaving Hawaii has been made. Recent attempts to estimate the Samoan population in Hawaii have placed the number at as high as 13,000. However, this is only a very crude estimate. Samoans are very mobile and are known to use a variety of names at different times, making their enumeration a difficult endeavor.

Apparent Causes of Migration to Hawaii

It appears that different factors govern the migration patterns of mainland in-migrants vs. aliens in-migrants. One factor influencing mainland migration is the availability of employment opportunities for newly arrived persons. National migration studies suggest that when Hawaii's economy is experiencing moderate or rapid employment growth, the flow of in-migration adjusts so as to eventually bring the unemployment rate, pay levels, and other conditions into a rough balance with the Mainland United States. Unfortunately, there does not appear to be a corresponding downward adjustment in in-migration when the Hawaiian economy is undergoing relatively slow or no employment growth. The resistance of in-migration to fall substantially in response to high unemployment in Hawaii suggests that non-economic factors may also influence the flow of in-migration.

Efficient and frequent air transportation from the mainland has certainly made it easier for people to seek employment and residence in Hawaii. Hawaii's climate and natural beauty are also important drawing factors. In this regard, it is interesting to note that some of the "sun belt" states--notably Florida, Arizona and Nevada, which were the fastest growing states between 1960 and 1975--have also experienced heavy in-migration.

Tourism, the state's major industry, provides yet another stimulus for in-migration. Several studies have shown a close relationship between tourism growth and net in-migration. Many in-migrants formerly visited Hawaii as tourists, and, in addition, tourism provides a source of employment for newly-arrived persons. A recent study by the State Department of Planning and Economic Development points out that recent arrivals hold considerably more than their proportionate share of the total jobs in the tourism industry.

Hawaii's liberal welfare programs also provide an incentive to persons to move to this state. Monetary benefits and other services reduce the element of risk should employment not be found. Hawaii's welfare benefits are the second highest in the nation, following after New York. Even allowing for differences in the cost of living among the states, Hawaii's payments remain among the highest in the country.

The overriding factor influencing foreign migration to Hawaii is clearly the federal immigration laws. The various preference categories and numerical limits govern both the number and type of immigrants admitted. The dominant reasons why many immigrants choose to reside in Hawaii rather than in other states are (1) Hawaii's greater cultural similarity to their country of birth, and (2) the large number of friends and relatives already in Hawaii that sponsor the immigrants.

WHY WE ARE CONCERNED WITH POPULATION GROWTH

Hawaii's 1970-1977 population growth rate amounts to a doubling of the population every 34 years. This raises the question of whether or not Hawaii will be able to satisfactorily accommodate that many people. Most certainly, such a population would require some profound changes to occur in the way people will in these islands.

The following are some of the reasons why Hawaii's population growth has become a growing concern among all sectors of the economy:

- Hawaii's limited physical size and natural resources,
- the potentially adverse affects that growth may have on Hawaii's natural beauty and environment,
- the employment potential of the islands, and
- the socio-economic costs of growth.

A brief discussion of these problem areas is presented in the following paragraphs.

Hawaii's Limited Physical Size

Hawaii's limited physical size is clearly one obvious cause for concern. Hawaii, with a total land area of 6,425 square miles, is the fourth smallest state in the nation. However, it ranks 15th in terms of population density. Its 1976 de facto density of about 149 persons per square mile was twice the national average of roughly 60 persons per square mile. Since 1960, Hawaii has been increasing its density at a faster pace than any of the other states (except Florida) that are currently among the 15 most dense in the nation.

Natural Beauty and Environment

There is concern that uncontrolled urbanization may adversely and irreversibly affect one of Hawaii's most precious assets, its natural beauty and environment. Hawaii's natural resources--climate, terrain, ocean--and its environment serve as a foundation for tourism which is a key industry in Hawaii's economic structure. Moreover, they are an essential part of the quality of life unique to the islands. Their degradation would be an irreparable loss and one that could spell economic disaster for the state.

Some of the environmental issues that confront a growing Hawaii include the following:

- availability and accessibility of beaches,
- depletion of prime agricultural land,
- inadequacies in the supply of fresh water, and
- pollution of the air and water.

Of the island's 750 statute miles of coastline, there are only 24.4 miles of sandy shoreline which have been defined as "safe, clean, accessible, and generally suitable for swimming." As population increases, the amount of beach available to individual residents and visitors declines. It has been estimated that if all of Hawaii's residents were to go to the beach at the same time and stand in a line, there would be less than two inches of sandy shoreline per resident. Tomorrow's population, if allowed to grow unchecked, will mean even less of this prime commodity.

Some of Hawaii's best agricultural land has already been converted into highways, homes, and buildings. Urban sprawl has consumed land that could be put to alternative uses. On Oahu, land in residential use increased from 16,500 acres in 1964 to 26,500 acres in 1974; during the same ten-year period, agricultural land declined from 94,500 to 76,100 acres. While public open spaces declined, land used for highways and streets increased some 37 percent. (See Exhibit 15.)

Exhibit 15

Land Use on Oahu

	Acres		% of Total	
	1964	1974	1964	1974
Residential	16,550	26,481	4.3	6.9
Industrial & Commercial	7,875	8,085	2.1	2.2
Public Buildings	4,741	5,132	1.2	1.3
Public Open Spaces	7,861	7,230	2.1	1.9
Highways & Streets	7,405	10,173	1.9	2.7
Agriculture	94,474	76,124	24.8	19.9
Military	48,633	47,294	12.8	12.4
Unused Open Space	193,774	201,416	50.8	52.7
All Uses	381,310	381,935	100.0	100.0

Since there is a relative scarcity of unused, developable land on Oahu, further development on this island will necessarily be at the expense of agricultural and conservation lands. It may be worth pointing out here that many hundreds of square miles in the higher regions of the islands are uninhabited, because of the steep land tilt. These areas, which are reserved for forest and watershed, are classified as conservation lands.

And, what about fresh water? In 1970, an average 2.7 billion gallons of water were used per day as compared with 1.5 billion in 1960. Projections made by the Hawaii Water Resources Regional Study Project estimate that demand for water on Oahu will exceed supply by the year 2000, unless alternative sources are tapped (such as brackish water, reclaimed or recycled water, or desalinated seawater) or the price mechanism more judiciously applied. Use of alternative sources of water will mean higher prices which, in turn, will mean an even higher cost of living for Hawaii's residents and which may adversely affect the state's agricultural endeavors, particularly its efforts to protect prime agricultural land.

Despite the absence of heavy industry, an increase in the number of registered cars from four horseless carriages in 1900 to over half a million motor vehicles in 1976 has resulted in some pollution of the air and serious traffic congestion. Environmentalists are also concerned over the consequences of unlimited sewage discharge on Hawaii's marine life. To allay their concerns, sewage treatment plants and deep ocean outfalls are being constructed. However, these plants and outfalls are costing in the millions of dollars.

Employment Opportunities

A growing population poses concerns related to employment. Although the relationship between population growth and economic growth is not clear, more people means a greater demand for goods and services that must be produced locally or imported. That is, more people generally means economic expansion. However, economic expansion to accommodate a large influx of people may act to encourage even greater in-migration, since the rate and type of growth of the economy is an important variable affecting the nature of population growth. The period of rapid population growth in Hawaii in the 1960's was accompanied by, and to a large extent resulted from, an unprecedented growth in the economy.

Unfortunately, a rapidly expanding economy does not automatically guarantee better employment opportunities for local residents, if the number of new migrants attracted to the area is greater than the number of new jobs available or if new in-migrants are better suited than local residents to fill existing and newly created jobs. As Finkler, Toner, and Popper point out in their article "To Control Growth, Look at Your Local Economy" (Planning, July 1976, American Society of Planning Officials), new migrants are often better educated and have more training and experience than local workers. Thus, when new economic growth occurs, it may be to the detriment of current residents.

In recent years, Hawaii's job opportunities have, in fact, been unable to keep pace with the rapid growth of its resident population, causing high rates of unemployment to persist. Although there are a number of external factors responsible for the economic slowdown, much of the slowdown can be attributed to a normal cyclical phase of maturation in our economy. In other words, the previous boom period could not be expected to continue endlessly. Since we have reached a mature phase in our economy, the rate of growth of new jobs will continue at a relatively slower pace than in the past. Therefore, unless we can come to grips with our population growth problem, it is likely that unemployment will remain at substantially high levels in the foreseeable future.

For the local resident, unemployment causes some unique problems. Because of the state's geographic location, unemployed Hawaii residents cannot readily or easily commute to another state in search of work. To become gainfully employed however, Hawaii's unemployed residents may have to move to another state, thereby incurring a substantial financial burden, and, in many cases, disrupting family ties.

Socio-Economic Costs of Growth

The costs of providing public facilities and services to a burgeoning population continue to increase at a faster pace than the population increase itself. For example, the per capita tax burden from all levels of government in 1975 was nearly four times what it was in 1960. (See Exhibit 16.) Even allowing for inflation, this represents an increase exceeding the 1.4 fold increase in population in the same period.

Exhibit 16

Per Capita Cost for Government Services
(all levels of government)

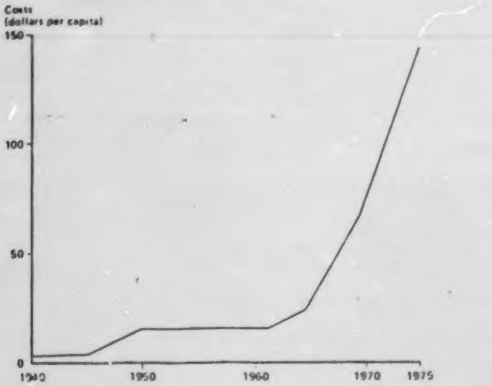
Year	Per Capita Cost
1960	$ 580
1965	728
1970	1,366
1975	2,134

Education continues to be the single largest expenditure item, although it had declined in proportion to under 30 percent of total state operating expenditures in 1976 from over 40 percent a decade ago due, in part, to the dramatic increase in public welfare costs which have required increasingly larger proportions of the state's operating budget. With increasing net in-migration, educational costs are expected to continue to rise since many in-migrants are young adults who either use or have children who will use Hawaii's educational system.

Hawaii has one of the most liberal welfare programs in the nation. Whereas state spending for public welfare made up only 6 percent of general fund expenditures in 1966, a decade later it took up 15 percent. The exhibit below illustrates the dramatic rise in social welfare costs per capita in Hawaii.

Exhibit 17

Per Capita Social Welfare Costs in Hawaii, 1940-1975



The fiscal impact that results from providing public water and sanitation facilities varies according to the amount, the rate, and the distribution of urban growth. It is much more expensive to service sprawling communities than it is to service confined, small districts. According to a study prepared by the Honolulu Board of Water Supply, the spacial distribution of Hawaii's future population will be a primary factor in determining the costs of developing water resources.

In addition to its impact on public services and facilities, population growth has brought with it noticeable changes in Hawaii's housing patterns. In years past, most residential units were single-family homes, but with limited developable land and escalating land costs, Honolulu has resorted to taller and taller structures to house both its resident and visitor population. In 1955 the tallest apartment building was 12 stories high. Today the tallest apartment building is 42 stories high. In 1955 the tallest hotel was 11 stories high. Today there are hotels as high as 39 stories and 390 feet. This change in housing patterns has led to higher population densities which, in turn, increase traffic congestion and place a heavy strain on existing water and sewer lines. Moreover, since the tall buildings block out views of significant natural features which had once been viewed from many angles, urban design has become a community concern.

Another change in housing patterns is the decline in the average household size from 3.9 persons per unit in 1960 to 3.4 persons per unit in 1976. If the downward trend in household size continues, housing needs will continue to grow at a faster pace than population.

Crime has also risen faster than population. Major offenses reported to the police in 1976 numbered over 55,000, or twice as many as in 1967. The rate per 1,000 population increased from 35 in 1966 to 63 in 1976, for an average annual increase of over 6 percent.

WHERE DOES HAWAII STAND TODAY

Past growth has brought mixed blessings. It has meant a higher standard of living, less poverty, a more diversified economy, less crowding within homes, new educational opportunities, and increased government services. No one denies the inherent value of these benefits. At the same time, however, these improvements have been at the expense of a deterioration in Hawaii's air and water resources, an increase in noise pollution, gradual urbanization of agricultural, conservation, and beach-front lands, higher housing costs, increased traffic congestion, higher crime rates, and increased social stress.

At the same time, public sentiment in recent years has grown strong in support of selective growth, reflecting a concern that the costs of rapid growth may outweigh the benefits. For example, a survey recently conducted by the Commission on Population and the Hawaiian Future found that over 80 percent of the respondents feel that the state's population is growing too fast and that 86 percent agree that the state should not allow people to move to Hawaii unless there are enough jobs for everybody. Clearly, these perceptions of Hawaii's citizens reveal that population growth and economic sustenance are concerns vital enough to elicit support for actions toward a desirable future.

The direction in which Hawaii is moving centers largely on a reexamination of growth, its meaning, its root causes, and its social, environmental and economic effects. The state's course of action was defined by Governor George R. Ariyoshi in his State-of-the-State Address to the 1977 Hawaii State Legislature, when he said:

> "Hawaii is a national treasure, but it is a very fragile treasure, one which can be easily destroyed by overpopulation and excessive demands on its resources.

"There is no reason why we must endure what an uncontrolled and unregulated future holds for us. We must shape our own future, not have it thrust upon us by forces over which we have little or no control.

"I am of the belief that we truly can and must be the masters of our destiny, rather than the victims."

HAWAII'S EFFORTS TO MANAGE ITS FUTURE

Hawaii's past performance as a planning leader has been nationally recognized. Tackling growth-related problems is part of the state's continuing commitment to achieve a better tomorrow for its residents.

Hawaii--A Planning Leader

In many of its efforts to look at and deal with the future, Hawaii has played an innovative and precedent-setting role. For example, in 1961, Hawaii developed the first state general plan accepted by Concurrent Resolution of the Hawaii State Legislature. Also, in 1961, the State adopted a pioneering comprehensive land use law, which established a Land Use Commission to classify all lands in the state according to authorized use. The law was developed to preserve agricultural land from urban sprawl, to protect recreational, wildlife and scenic areas, and to make appropriate use of non-productive lands in urban areas. In 1974 the state was the first to promote a statewide growth policies plan.

Finally, Hawaii has become the first state in the nation to have a state plan adopted by statute. The Hawaii State Plan, which received approval of the Legislature during its recently completed session, was signed by Governor Ariyoshi on May 22, 1978. The Hawaii State Plan provides a guide for the future long-range development of the state; identifies the goals, objectives, policies, and priorities for the State of Hawaii; provides a basis for determining priorities and allocating limited resources, such as public funds, services, manpower, land, energy, water, and other resources; and assures coordination of state and county plans, policies, programs, projects, and regulatory activities. The state plan also establishes a system for plan formulation and program coordination to provide for an integration of all major state and county activities. Implementation provisions contained in the law are designed to carry out statewide guidelines presented in the form of the overall theme, goals, objectives, policies, and priority directions.

Other contemporary efforts related to assessing and planning for Hawaii's future include the establishment of temporary and permanent commissions to deal with growth-related problems and the conduct of a number of research and analytical studies to assess Hawaii's potential.

Among the commissions established to make recommendations for Hawaii's future are the following:

- Temporary Commission on Population Stabilization which was created in 1970 because of the Legislature's concern with the detrimental environmental effects posed by population growth;
- Temporary Commission on Statewide Environmental Planning which was created in 1973 by the Legislature to help in developing a strong statewide environmental policy to assure that the optimum quality of environment and life-style is preserved;
- Commission on Population and the Hawaiian Future which was established in 1973 by the Legislature to serve the Governor in an advisory capacity on all matters relating to population and planning; and

- Commission on the Year 2000 which was created in 1970 by the Legislature as an outgrowth of the Governor's Conference on the Year 2000 and which became the first publicly established body in the world established specifically to explore alternative futures of a particular society.

Among the many research and planning efforts that have been, or are being, carried out about Hawaii's potential, the most notable include:

- carrying capacity studies, being conducted jointly by the Office of Environmental Quality Control and the Department of Planning and Economic Development, which look at ranges of population levels and the impact that such population levels may have on environmental and facility systems, e.g., water and water quality systems, air quality systems, transportation systems, economic resources, etc.;
- comprehensive technical studies which were recently completed by the Department of Planning and Economic Development in the areas of population, the economy, facility systems, environment, and socio-cultural advancement, as part of the Hawaii State Plan effort; and

- growth policy analytical studies, being conducted by the Department of Budget and Finance, which examine some of the analytical issues related to growth policy development, such as land use, water resources, public and private costs of growth, and legal options related to growth management.

Formulation of the Growth Management Task Force

It is against this backdrop that Governor George R. Ariyoshi, in the summer of 1977, called for the establishment of a task force to identify specific actions that the State of Hawaii might take to shape and direct its future growth. At the request of the Governor, Mrs. Eileen R. Anderson, the Director of the Department of Budget and Finance, which was conducting growth policy analysis, served as the task force coordinator. To assist her in this endeavor, the Governor appointed two assistant coordinators: Mr. Frank Skrivanek, Deputy Director of the Department of Planning and Economic Development, which was concurrently developing the Hawaii State Plan; and Mr. Paul Tajima, the former Executive Secretary for the Commission on Population and the Hawaiian Future.

The task force was comprised of more than 40 persons, all of whom were employees of state government agencies. The task force participants represented professional capabilities in planning, land use, health, agriculture, education, manpower training, transportation and taxation.

The Work of the Task Force

The efforts of the growth management task force resulted in a report entitled "A Program For Selective Growth Management In Hawaii." Broadly speaking, the intent of the selective growth management program is to encourage the right kind of growth at the proper place and pace--the kind of growth that will serve to protect and enhance our natural environment, promote wise allocation of our physical and natural resources and improve the socio-economic condition of our residents. The program focuses on three areas of growth:

- Economic growth (improving job opportunities for our residents, increasing self-sufficiency and diversifying the economic base);
- Population growth (preventing huge population increases); and
- Population distribution (encouraging new economic growth on the Neighbor Islands, slowing down the pace of growth on Oahu, controlling urban growth patterns).

A set of objectives was established for each area, and strategies and actions consistent with those objectives were developed. Attachment A presents a more detailed summary of the program presented to the Governor for selective growth management in Hawaii.

At the heart of the selective growth management program is a series of legislative, administrative and other actions that were proposed by the task force for achieving selective growth. The task force drafted 29 legislative proposals for introduction into the Hawaii State Legislature: 16 consisted of amendments or additions to the Hawaii Revised Statutes; and 13 were Concurrent Resolutions for which it was felt desirable to obtain an expression of legislative intent. Besides drafting these legislative proposals, the task force proposed some 39 administrative actions--that is, actions that have already been undertaken or could be undertaken by the Executive Branch without the need for legislative action. Also included in the task force report were three suggested amendments to the federal Immigration and Nationality Act. Actions proposed by the task force included:

- ways to enhance employment opportunities for residents without encouraging in-migration;
- changes in the state's public assistance program that would make it more difficult for newcomers to collect welfare benefits;

- establishment of criteria, including minimum performance standards, for use in land use boundary changes;
- mechanisms to prevent the conversion of agricultural land to urban, e.g., empowering the state to purchase the development rights to important agricultural lands;
- development of an agricultural water policy;
- putting controls on the rate and location of tourism accommodations;
- establishing a system for collecting information on in- and out-migrants;
- studying the financial impact of population growth on the expansion of public services and public facilities; and
- appropriations for Waikiki improvements.

The task force's recommended additions and/or amendments to the Hawaii Revised Statutes and the Concurrent Resolutions were submitted by Governor Ariyoshi to the Ninth Session of the Hawaii State Legislature which convened in January 1978.

In submitting the package of 29 bills and resolutions to the Legislature, the Governor expressed his desire that legislators begin dialogue on proper courses of action to preserve and protect Hawaii from excessive growth.

Legislative Reaction to the Growth Management Bills and Resolutions

Overall, approval was received for 10 of the 29 measures. Among the key proposals that were passed were the following.

- A bill to exclude able-bodied adults, under 55 years of age and without minor children, from receiving general assistance.

- A bill to promote the hiring of residents for public sector jobs by: (a) requiring that applicants for state and county government jobs be bona fide residents of the state at the time of their application; (b) establishing criteria with which to define a state resident; and (c) granting point preferences, similar to veteran point preferences, to qualified applicants who have filed, or are dependents of persons who have filed, resident tax returns within the state.

- A $2.5 million appropriation for Waikiki improvement projects to be matched by 20 percent in county funds.

- A resolution requesting a study of the financial impact of population growth on the expansion of major public services and public facilities and an investigation of alternative methods for equitably distributing these costs among present and future generations.
- A resolution endorsing and encouraging increased efforts to improve the accessibility of reproductive health care to the people of Hawaii.
- A resolution requesting the Governor's Water Commission to study the feasibility of developing an integrated water policy concerning the availability and cost of water for agricultural purposes.

Copies of these and other growth management bills and resolutions as approved by the Legislature (except for the funding for Waikiki improvement projects which is part of the supplemental appropriations bill) are provided in Attachment B.

Looking at the outcome in terms of the three major areas of attention in the growth management program--i.e., population growth, economic growth and population distribution--certain patterns emerged. For example, proposals designed to reduce and stabilize overall population growth and those designed to foster selected areas of economic growth fared considerably better than did measures designed to affect population distribution, either on or among the islands.

Within the category of population growth, legislators appeared slightly more inclined to favor proposals that would discourage migration of persons to Hawaii in contrast to those aimed at maintaining birth rates at replacement levels. Among the proposals dealing with economic growth, those directed at enhancing employment opportunities to meet labor force needs without encouraging migration of persons to Hawaii were more successful than those designed to foster stable economic growth. In the area of population distribution, most of the measures dealt with either changes in the existing land use patterns or the rate and location of tourism growth. Legislators appeared reluctant to act in either of these two areas, and as a result, measures in this category did not fare well at all.

A number of reasons have been put forth to explain why some of the measures did not pass. These are summarized in the following paragraphs.

- Some bills were inherently too controversial in nature to have a chance of passing, i.e., they would cause too much disruption of the status quo. These will surface again as people become aware of some of the trade-offs that must be made if we are to move in the direction of managed growth. The fact that this was an election year in Hawaii may have influenced legislators to be more conservative and opt toward keeping the status quo.

- The Legislature was asked to serve as a public forum for the exchange of ideas on the growth-related proposals, since the proposals had not had the benefit of public hearings, i.e., to generate discussion and stimulate debate on the types of growth-related actions appropriate for Hawaii to take. This approach, however, resulted in some problems. For one thing, the Legislature appeared not to be comfortable in this role. For another, the fact that cabinet officials were allowed to give the pros and cons when testifying on the various measures was misunderstood by the Legislature, who expected the cabinet to support the proposals since they were administration-sponsored measures. Finally, the approach resulted in insufficient hard lobbying by the administration in favor of the proposals, as compared with a strong and considerable lobbying effort against some of the bills by opponents.

- There was a lack of understanding as to the "growth management" perspective on the part of the various committees asked to handle the bills and resolutions. Without intensive interaction with the committee and its staff, it may be inconsistent to ask a committee whose primary thrust is "pushing" growth and development to consider changes that may limit or channel growth.

- Each bill was considered in isolation, i.e., committee by committee, rather than as part of a total package. This contributed to fragmentation of the total effort.

- Lack of any provisions for additional resources to implement proposed changes hindered passage of some measures. Some of the changes would have necessitated reallocation or shifting of resources, which drew opposition from the affected parties. If additional monies had been provided, chances for passage of these proposals would have been considerably enhanced.

ACTIONS AT THE FEDERAL LEVEL THAT WOULD HAVE DESIRED EFFECT

There are a number of federal actions that we believe would ease Hawaii's growth-related problems. These actions relate to migration, which, as pointed out, is the major source of the state's rapid population growth. In general, the recommendations pertain to migration of aliens and persons from U.S. territories and possessions. As discussed previously, alien migration is now estimated to account for 70 percent of Hawaii's net migration, making it a dominant factor in our state's efforts to manage future growth.

Briefly, the suggested federal actions are as follows:

1. require a more equitable distribution of immigrants among the states by amending the Immigration and Nationality Act;

2. reduce alien dependency on welfare by amending appropriate federal laws;

3. provide added federal assistance to states with higher proportions of foreign-born populations;

4. include Hawaii and other affected states in the decision-making process on programs and issues relating to the migration of people from the Pacific Basin trust territories; and

5. establish a national population growth and distribution policy.

Each of these will now be discussed more fully.

Achieving a More Equitable Distribution of Immigrants Among the States

As the situation now exists, a few states are asked to bear a disproportionate share of the number of total immigrants to the United States. In 1975, nearly 70 percent of the approximately 4,700,000 immigrants (aliens) living in the United States resided in six states. Moreover, nearly 70 percent of the approximately 390,000 immigrants who entered the United States in 1975 intended to reside in one of these same six states. Relatively speaking, Hawaii is the most heavily impacted state in the nation with respect to immigrants: in Hawaii the ratio of immigrants per one thousand population is four to five times as high as the national average.

Clearly, the overriding factor affecting the flow of immigrants to the United States and, in turn, to Hawaii is the federal immigration laws. The various preference categories and the numerical limits govern both the number and type of immigrants admitted. While nationwide, there is an overall ceiling on the number of immigrants that can be admitted annually to the United States, there is no quota or ceiling by area or state within the country. As a result, immigrants tend to concentrate in a few states, thereby placing additional burdens on the limited financial resources of these locales and, in some cases, causing unemployment to rise when aliens compete with citizens for limited jobs.

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We believe that Congress intended immigration to be a national responsibility. For this reason we believe that consideration should be given to amending the U.S. Immigration and Nationality Act to provide for a more equitable distribution of immigrants among the 50 states. This amendment might incorporate the following procedures.

1. The U.S. Secretary of State would be authorized to make and publish a reasonable estimate of the anticipated total number of immigrants expected to be admitted to the United States in the coming fiscal year. This estimate would be made public at least 30 days before the start of the fiscal year.

2. Once a state has received at least the number of immigrants equal to the ratio of the state's population to the nation's population multiplied by the estimated total number of immigrants to be admitted in the fiscal year, the state's chief officer would so inform the appropriate federal agency, and no immigration visa could be issued for the remainder of that fiscal year to any alien who indicates that state as his intended destination.

3. Any immigrant who, prior to becoming a naturalized citizen (or within five years of entry), reports a change in address to another state, pursuant to the requirements set forth in the Immigration and Nationality Act, may be included in the fiscal year next after the date the change of address was reported as an immigrant received by the gaining state.

Reducing Alien Dependency on Welfare

Immigrant admissions to the United States are conditioned on the explicit understanding that the immigrants have a means of support and will not become public charges. The Immigration and Nationality Act provides for the deportation of immigrants who within five years after entry become public charges from causes shown to have arisen before entry. Nevertheless, there is an increasing number of immigrants who are receiving public welfare assistance within five years of their entry into the United States, thereby creating a significant financial burden on the federal government and the states involved.

For example, according to a study requested by Senator Charles Percy (R-Ill.) and undertaken by the Government Accounting Office (GAO), aliens in the states of California, Florida, New York, New Jersey, and Illinois are collecting about $72 million a year by taking advantage of benefits provided by our country's generous welfare system. Sixty percent of the money was paid out under the Supplementary Security Income (SSI) program. Under current law, aliens who are legally admitted to the United States for permanent residence are eligible to receive SSI assistance within 30 days of their arrival if they otherwise qualify. According to the GAO report, 96 percent of the aliens receiving SSI assistance were collecting checks within three years of their arrival in this country. An estimated 81 percent enroll within 30 days of arrival. The study also found that one of every three aliens who entered the country during the period July 1, 1972 to June 30, 1975 was collecting SSI payments by the end of 1976. Furthermore, most of the aliens receiving welfare in the five states studied qualified because of age or long-standing disabilities, not because of disabilities sustained after they arrived in the United States.

In Hawaii, the impact of immigrants on welfare costs is considerable as illustrated by the following figures. During the current fiscal year, foreign-born individuals who arrived in the United States less than five years ago account for slightly more than 6 percent of the total caseload for money assistance programs (approximately 5,000 individuals) and are expected to require an annual expenditure of $7.1 million. In the medical assistance program, there are an estimated 3,300 foreign-born individuals who arrived in the United States less than five years ago. These immigrants are expected to require a public expenditure of about $5.3 million for medical services during the current fiscal year. In the public housing programs, immigrants occupy one-fifth of the 6,142 units available.

At a time when federal, state and local welfare costs are rising dramatically, there does not appear to be any relief in sight under the current law and its interpretation. There is a twofold reason for this. First, receiving public assistance is not considered as a factor in making a person a public charge and thus subject to deportation. A Board of Immigration Appeals ruling in 1948 set three criteria for deportation as a public charge, one of which was liability for repayment. There is no liability for repaying public assistance. Second, affidavits of support, filed on behalf of immigrants, have been judged by various courts to be unenforceable agreements and have been considered only moral obligations. Therefore, communities supporting newly arrived immigrants have no recourse against those signing affidavits of support.

Some suggested federal actions that could be taken to address the problem of alien welfare dependency are the following:

1. amend the federal legislation which establishes the various welfare programs to include a durational residency requirement (of between two to five years) for alien recipients; or alternatively, amend the federal Immigration and Nationality Act to include receipt of public welfare money payments by an immigrant within, say five years, of his arrival as one of the criteria for determining whether a person is a "public charge" and therefore subject to deportation; and

2. amend the Immigration and Nationality Act to make the affidavits of support, provided by sponsors of aliens, legally enforceable agreements, binding for a period of five years after admission.

If the federal government is not willing to promote these changes, then it should be willing to assume the total social costs for welfare, housing, and unemployment of immigrants who are not able to support themselves.

Providing Added Federal Assistance to States With a High Proportion of Foreign-Born

Many foreign-born persons in the United States lack sufficient education to function adequately in our technological society. This lack of education often prevents such persons from finding satisfactory employment. Other areas in which newly-arrived, foreign-born individuals experience difficulties include nutrition, housing and health. For those parts of the country where the proportion of immigrants per one thousand population is greater than the national average, the above-cited problems place heavy financial strains on their limited resources. Certainly, there is a disproportionate burden falling on communities that absorb large numbers of immigrants in relation to their population base. Since the federal government sets the policies that govern which persons can move to the United States, the federal government has a responsibility to assist those areas with large concentrations of foreign-born individuals in meeting the special needs thereby thrust upon such communities. This assistance might take the form of a one time cash grant per immigrant or alternatively, it might be provided annually, based on the number of foreign-born individuals in the state.

In Hawaii, some of the common problems and areas of concern to immigrants have been identified as the following.

- Language and Communication. Among Koreans, Chinese and Japanese immigrants, language is perhaps the primary problem faced. For Samoans and Filipinos, on the other hand, language problems are not as critical. Many are bilingual in English and their native language, and English is the medium of instruction in the public schools of the Philippines and Samoa.

- Employment. Employment problems of immigrants have probably worsened in recent years due to the national recession and the oversupply of trained workers looking for employment. In general though, because employers tend to employ people with similar backgrounds as themselves and are more likely to hire a U.S.-educated person over a foreign-educated person, immigrants are at a disadvantage in the labor market. Professionals among all ethnic groups report that underemployment rather than unemployment is a major problem, with many working at jobs which are unrelated to their training. Nonprofessional workers, on the other hand, are more easily placed and are less dissatisfied with their jobs although some complain about low pay, long hours, and hard physical labor.

- Housing. Hawaii has had a chronic housing shortage problem for over 30 years. While recent construction of multi-family units may have relieved some of the shortage, the high cost prohibits persons with low income and little savings from purchasing their own homes. Recent studies indicate that housing is a major problem, particularly for Filipinos and Samoans who typically have large households. Although they live in high density conditions with as many as 11 persons per household, their cultural customs of reciprocity and cooperation dictate that they accommodate relatives in time of need, adding to the number of persons in the household and thereby increasing their difficulties in finding adequate housing.

- Health. The Hawaii State Department of Health reports indicate that the influx of immigrants into the state continues to have adverse effects on TB and leprosy rates because a large number of immigrants come from countries where the prevalence of these diseases is high. Hawaii has the highest new active TB case rate of any state in the nation, with the foreign-born contributing approximately two-thirds of all cases. Other health problems of Hawaii's immigrants include: dental problems, poor nutrition, gout, alcoholism, asthma, and other respiratory diseases.

- Social Adjustment. All immigrants experience some degree of "cultural shock," but the effect on each, because of his particular characteristics, differs and depends upon factors such as: (1) the degree to which their values and cultural practices coincide with those of the receiving society's, (2) their ability to take on new cultural behaviors, and (3) the receiving society's acceptance of immigrants.

Including Hawaii and Other Affected States in Decisions Affecting In-Migration from the Pacific Basin Trust Territories

The United States government has indicated that it will end its trusteeship over the Trust Territory of the Pacific Islands by 1981. While the future political status of the Trust Territory is still undetermined, the Commonwealth of the Northern Marianas has already negotiated its own political settlement and has set a pattern which may be emulated by the other principal geographic areas in the Trust Territory.

The newly created political status is expected to have a number of effects on Hawaii if previous in-migration trends from the Pacific Basin are an indication.

Hawaii's experience with American Samoans has been documented through reports issued by our State Immigrant Services Center. Although American Samoans are U.S. nationals, they have faced acculturation problems similar to foreign immigrants and comprise a significant part of the caseload of public and private agencies in Hawaii involved in servicing immigrants. Citizens of the Trust Territory have, in the past, been subjected to the same restrictions as other foreign immigrants in entering the United States. This status will change by 1981 when the residents of the Commonwealth of the Northern Marianas, estimated to be approximately 17,000, will become U.S. citizens. While the rate of new in-migration cannot be predicted, the potential of the influx from the former Trust Territory with a population base of approximately 115,000, as compared to American Samoa's 30,000, will impact on Hawaii harder than the Mainland states because of Hawaii's proximity, climate, and cultural diversity.

Any in-migration from the Trust Territory will add to the multilingual, multi-ethnic mix existing in Hawaii since there are at least seven distinct cultures in the Trust Territory with at least as many languages. Chamorro, the original language spoken in the Marianas and Guam already shows up as one of the foreign languages spoken by public school students of limited English speaking ability in the 1976-77 Hawaii State Department of Education survey. Trust Territory residents at present generally speak their own language as their first language and English as their second language. The extensive school system established by the United States government varies in quality from area to area and bilingual/bicultural education still has not been developed in the Trust Territory.

The limitations of the economy in the Trust Territory, which is heavily dependent on government spending, would indicate no major moves to self-sufficiency in the near future. The labor force, in 1970, was largely unskilled, with only 30 percent of the working age population employed. Only 15 percent of the total population were employed for monetary compensation in 1970.

The Trust Territory population is also characterized by a very young population, the median age being 16.9 years in 1970 as compared to the U.S. national average of 28.1 years. In 1970, 48 percent of the population was 15 years or younger, 40 percent was in the 16-49 years of age group and only 12 percent of the population was over 50 years old.

The population has generally increased since World War II and is expected to grow at the rate of 5 percent annually.

For the time being, the issue of in-migration will only concern the residents of the Northern Marianas, although the inability of the economy of the Trust Territory to sustain its population may make it highly probable that the in-migration of Pacific Islanders will be generated to other parts of the United States.

If Hawaii's experience with the influx of American Samoans is indicative of what may happen in the near future with the Trust Territory, then it is necessary for the federal and state governments to begin planning transitional programs to both minimize the states' burdens and to maximize the capabilities of the newcomers in adjusting to American society. This cooperative approach to the in-migration process calls for an open and continuous consultation between the federal and state governments. Certain policy issues regarding pre-embarkation information, more intensive training in English communications, occupational skills training, and the need for federal financial support for essential services should be discussed in depth to ensure proper planning.

Establishing a National Population Growth & Distribution Policy

Finally, there is need for a National Population Policy, developed in concert with state and local governments, to lessen the congestion and reduce pressure on the already overburdened resources of our metropolitan areas, and to lessen the problems of transportation, environmental decay and social service delivery that are not being adequately dealt with for today's population. Such a policy should be consonant with a rural-urban balance of needs and regional potentials. Components of such a policy should include:

1. Federal sponsorship of one or more national conferences to discuss population policies and actions that could be taken to achieve more desirable migration patterns in the nation. Some states are faced with out-migration problems; others are coping with heavy in-migration.

2. Congressional assistance to states in developing migration policies and possible controls on migration between the states. To achieve this objective, it may be necessary to amend the United States Constitution.

3. Development of a United States immigration policy consistent with a balance of regional needs and regional potentials.

4. Increased federal government appropriations for population education, family planning services, and birth control research.

5. Closer coordination of land use planning, population planning, and environmental planning. These are interrelated and affect the quality of life of all residents of the nation. There is need for a rational rural-urban growth policy that calls for determination of urban growth patterns throughout the states and establishes guidelines for rural development. Carrying capacity studies of regions may need to be undertaken to arrive at a recommended optimum population of the region which gives consideration to the use of natural resources, achievement of a viable economy and standards of living.

SOURCES FOR EXHIBIT DATA

Exhibit No.	Source
1	Hawaii State Department of Planning and Economic Development, Data Book: 1977, Table 71.
2	Hawaii State Department of Planning and Economic Development, Data Book: 1977, Table 161.
3.	Eleanor C. Nordyke, The Peopling of Hawaii (University Press of Hawaii, Honolulu, 1977), Figure 21.
4	Hawaii State Department of Planning and Economic Development, Data Book: 1977, Table 1, for population estimates for years 1900 through 1970; Hawaii State Department of Planning and Economic Development, unpublished statistics, for 1977 population estimates.
5	U. S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States: 1976, Tables 10 & 1442.
6	Hawaii State Department of Planning and Economic Development, Data Book: 1977, Table 4.
7	Hawaii State Department of Planning and Economic Development, Data Book: 1977, Tables 4, 7, & 71.
8	Hawaii State Department of Planning and Economic Development, The Population of Hawaii, 1976 (Statistical Report 119, April 2, 1977), Table 6.
9	Hawaii State Department of Planning and Economic Development, Data Book: 1977, Table 26.

Exhibit No.	Source
10	Hawaii State Department of Planning and Economic Development, Population (Hawaii State Plan Technical Study, 1977), p. 4-1.
11	Hawaii State Commission on Manpower and Full Employment, Immigrant Services Center, Immigrants in Hawaii: 1976, Table 2.
12	Hawaii State Commission on Manpower and Full Employment, Immigrant Services Center, Immigrants in Hawaii: 1965-1975, Table 4, for the period 1961 to 1974; Hawaii State Department of Planning and Economic Development, Data Book: 1977, Table 26, for the period 1975 to 1976.
13	Eleanor C. Nordyke, The Peopling of Hawaii (University Press of Hawaii, Honolulu, 1977), Figure 14.
14	Hawaii State Commission on Manpower and Full Employment, Immigrant Services Center, Immigrants in Hawaii: 1976, Figure 1.
15	Hawaii State Department of Planning and Economic Development, Data Book: 1977, Table 99.
16	Hawaii State Department of Planning and Economic Development, Data Book: 1977, Table 100 for 1970 and 1975 data; Hawaii State Department of Planning and Economic Development, Data Book: 1976, Table 119, for 1960 and 1965 data.
17	Eleanor C. Nordyke, The Peopling of Hawaii (University Press of Hawaii, Honolulu, 1977), Figure 24.

ATTACHMENT A

EXCERPTS FROM:

A PROGRAM FOR SELECTIVE GROWTH MANAGEMENT IN HAWAII

(As proposed to Governor George R. Ariyoshi by the Growth Management Task Force, January 1978.)

OVERVIEW OF HAWAII'S SELECTIVE GROWTH MANAGEMENT PROGRAM

The Growth Management Program Goal

The Growth Management Program goal is to:

> protect and enhance our natural environment, promote wise allocation of our physical and natural resources, and improve the socio-economic condition of our residents.

Growth Management Objectives

To achieve this goal, objectives have been established in the areas of population growth, economic growth, and population distribution. These are as follows:

- Population Growth. Reduce and stabilize the overall population growth rate at a level which does not impinge on the health, safety, economic and social welfare of residents and which is commensurate with the ability of the State to accommodate without serious deterioration of our quality of life by:
  - -- Reducing population growth caused by migration so as to achieve an appropriate balance between in- and out-migration through (a) reducing in-migration and (b) reducing immigration.
  - -- Maintaining birth rates at replacement levels.
- Economic Growth. Direct and influence selected areas of economic growth such that the overall economic development of the State will sustain a vigorous and competitive economy, promote adequate employment opportunities for State residents, protect our physical environment, and provide for growth that is most compatible with the preservation and enhancement of our quality of life by:
  - -- Promoting stable economic growth through (a) managing the rate of growth of tourism and (b) diversifying the economic base.
  - -- Providing and enhancing employment opportunities to meet labor force needs without encouraging in-migration and immigration.

- Population Distribution. Promote an improved distribution of population by:
  - -- Encouraging new economic growth on the neighbor islands under circumstances acceptable to residents already there.
  - -- Slowing down the pace of growth on Oahu.
  - -- Encouraging compact urban growth patterns (thereby preserving open space, conservation areas and agricultural land for future generations).

Philosophy Underlying the Growth Management Strategies

In developing actions to achieve the foregoing objectives, the task force identified some general areas of concern and suggested some factors that should guide the focus of effort. These are described in the following paragraphs.

With respect to population growth, it is believed that the State should not seek to halt all migration to Hawaii but rather to strive for a balance between in- and out-migration, recognizing that given the current high level of net in-migration, such a balance will not happen overnight. It is also believed that care must be taken so as not to penalize former Hawaii residents now residing on the mainland and not to cause undue hardship for local residents. Moreover, any changes in the federal immigration laws should be such as not to penalize individuals and families who are now here. It is also recognized that more information about why people move to and leave Hawaii is needed in order to better devise and evaluate actions designed to influence migration patterns.

In looking at actions to influence Hawaii's natural rate of population increase, it is not believed that there is a need at this time for the State to play a role to drastically reduce birth rates, since the current birth rate among the civilian population, excluding military dependents, approximates replacement level fertility. It is believed that fertility regulation, birth control, and family planning are personal, private and confidential matters which should be decided by the individuals concerned based on a knowledge of one's self, one's values, and one's social responsibilities. The State's role and responsibility should be to set desirable goals, promote individual and social awareness and knowledge and assure that all in the State have access to a choice of safe, appropriate, and acceptable services which regulate fertility.

Because of the pervasive role that tourism plays in the economy of the State, importance is placed on stabilizing the overall rate of tourism growth and directing future major tourism growth to the neighbor islands. However, it is recognized that tourism growth on all islands must be within the infrastructure capacities set forth in the State's Ten-Year Tourism Plan. Several studies have shown a close relationship between tourism growth and net in-migration. Many in-migrants formerly visited Hawaii as tourists and, in addition, tourism provides a source of employment for them. A recent study by the Department of Planning and Economic Development points out that recent in-migrants hold considerably more than their proportionate share of the total jobs in the tourism industry. The development of a mechanism that could be used to manage the rate of growth of tourism is seen as a way of stabilizing the rate of tourism growth, directing it toward areas most beneficial to the State and, at the same time, discouraging in-migration. Recognizing the vital role that tourism plays in maintaining the State's economic viability, it is felt that stress should be placed on the quality of growth through enclave resort development, upgrading and refurbishing older facilities, high resort design standards and so forth. In particular, the task force does not wish to see Waikiki or other areas of the State facing problems like those that have plagued Atlantic City, Puerto Rico and, more recently, Miami Beach.

Besides stabilizing the rate of tourism growth, importance is placed on the continuing efforts of the State to promote agricultural self-sufficiency, increase federal expenditures, and encourage new industries for Hawaii that are compatible with achieving environmental and societal goals. It is believed that increased self-sufficiency in agriculture would require improved marketing and distribution channels, expansion of the export market for locally-produced products, as well as expansion of the domestic market by increased sales to the tourism industry and to the military. The preservation of agricultural land is considered of critical importance to improving self-sufficiency in agriculture.

To build a bridge between appropriate levels of population growth and economic activities necessary to its sustenance, the task force notes the importance of matching the education, training, and job skills of the local population with existing and expected employment opportunities so as to decrease dependence on migration in meeting labor force needs. Ways to increase the percentage of jobs available to and filled by residents, particularly in the tourism industry, are areas of concern.

Actions proposed by the task force in relation to the distribution of population among the islands recognize the fact that, in encouraging growth on the neighbor islands, the State is committed to preserving the local character of the islands and not to causing social or economic hardship to current neighbor island residents. It does not require out-migration of people from Oahu to the neighbor islands, but rather requires conditions such that neighbor island residents will be able to remain on the neighbor islands should they choose to do so rather than be forced to move to Oahu for economic reasons. Actions related to population distribution within each island stress the need for tools to provide a "sense of order" to development patterns by seeking to guide and direct the timing and location of growth while at the same time providing adequate support facilities (housing, transportation, energy) to meet the desired level and distribution of growth.

The Growth Management Strategies

Specific strategies designed to promote the goals and objectives of the Growth Management Program are therefore:

1. Undertake State actions that would minimize the impact of population growth caused by in-migration and immigration on the resources of the State.
2. Encourage federal actions that would reduce the number of persons selecting Hawaii as their place of residence when immigrating to the United States and/or mitigate their impact.
3. Encourage continued low birth rates among the resident population of the State.
4. Decrease dependence on migration to provide for labor force needs; encourage employment of local residents.
5. Strive for quality growth in tourism at a rate as is necessary to meet local labor market demand without encouraging in-migration or immigration.
6. Increase self-sufficiency in agriculture.
7. Improve the contribution of sectors other than tourism and agriculture to the economy.
8. Seek ways to guide and direct the time and location of growth; and provide adequate facilities to support a desired level and distribution of growth (housing, transportation, energy).
9. Prevent conversion of agricultural land to urban, particularly on Oahu.

ATTACHMENT B

GROWTH MANAGEMENT BILLS AND RESOLUTIONS* APPROVED BY THE NINTH SESSION OF THE HAWAII STATE LEGISLATURE

Senate Bill No. 1782, H.D. 1,	RELATING TO PUBLIC ASSISTANCE
Senate Bill No. 1787, S.D. 1, H.D. 1,	RELATING TO PUBLIC EMPLOYMENT (embodies two of the growth management task force's original bills)
House Bill No. 1893, S.D. 1,	RELATING TO UNEMPLOYMENT
House Concurrent Resolution No. 17, H.D. 1,	REQUESTING A STUDY TO IDENTIFY THE COSTS OF GROWTH AND EXPLORE METHODS FOR EQUITABLY DISTRIBUTING THESE COSTS AMONG PRESENT AND FUTURE RESIDENTS
House Concurrent Resolution No. 20,	AFFIRMING SUPPORT FOR A COMPREHENSIVE STATE FAMILY PLANNING PROGRAM
House Concurrent Resolution No. 26,	REQUESTING THE BOARD OF LAND AND NATURAL RESOURCES TO DISPOSE OF PUBLIC LANDS FOR AGRICULTURAL PURPOSES BY MEANS OTHER THAN PUBLIC AUCTION
House Concurrent Resolution No. 27,	REQUESTING A STUDY AND RECOMMENDATIONS FOR AN AGRICULTURAL WATER POLICY FOR THE STATE OF HAWAII
House Concurrent Resolution No. 28, H.D. 1,	REQUESTING CONGRESSIONAL ACTION

*Not included is a $2.5 million appropriation for Waikiki improvement projects, which is part of the supplemental appropriations bill.

S. B. NO. 1782-78, H.D. 1

A BILL FOR AN ACT

RELATING TO PUBLIC ASSISTANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Findings and Purpose. (a) The legislature finds that welfare costs have been rising precipitously in recent years, at a rate more than twice that for general fund tax revenues. As a result, providing funds for welfare has often meant a curtailment of other much-needed State programs and services. The legislature further finds that the limited financial resources of the State necessitates some curtailment of public assistance benefits.

(b) The purpose of this Act is to limit general assistance payments to persons who are disabled, or are at least 55 years of age, or have dependent children in their homes, and who are unable to provide sufficient support for themselves or their dependents.

SECTION 2. Section 346-71, Hawaii Revised Statutes, is amended to read:

"Sec. 346-71 General assistance. (a) The department of social services and housing shall administer and provide public assistance to [those needy] eligible persons who are disabled, or are at least 55 years of age, or have dependent children in the home not otherwise provided for under this chapter, and who [for reasons satisfactory to the department] are unable to provide sufficient support for themselves or those dependent upon them, provided that such persons are bona fide residents of this State.

[The department shall not provide general assistance to any person who is physically fit, able to work and employable, provided that the department shall provide general assistance to such person where the department finds that:

(1) He is unemployed for reasons other than voluntary separation without good cause or for misconduct; and

(2) He is actively and diligently seeking gainful employment; and

(3) He has not refused to accept employment when offered; and

(4) He has registered and is available for work

required by section 383-29; and

(5) He has exhausted all of his benefits under chapter 383; provided, however, should the benefits of any person under chapter 383 be less than those for which he would otherwise be eligible hereunder, he shall be eligible for supplementary general assistance; and provided further, that this provision of exhaustion shall not apply to those persons not entitled by law to such benefits.]

For purposes of determining whether persons seeking assistance are bona fide residents of this State, the department of social services and housing shall consider, but is not limited to considering, the following factors: enrollment and receipt of welfare benefits from another jurisdiction; physical presence in the State; maintenance of a place of residence in the State; the availability of furnishings and household and personal effects sufficient to lead a reasonable person to conclude that the place of residence is more than a public accommodation; qualification as to residence for purposes of voting in the State; change in vehicle operation license; vehicle registration; enrollment of children in local schools; bank accounts in this State or any other jurisdiction. [The department shall by rules adopted pursuant to chapter 91, establish criteria and standards for the foregoing conditions and requirements. The department shall further require such persons, as a condition to receiving general assistance, to register for work on public work projects and to accept an assignment to work under section 346-31 or to accept such employment as may be offered to them by the department under section 346-102 or by an employer. The term "public work projects" includes any kind of labor under the department of accounting and general services of the State or the department of public works of any county, or under any other department, board, commission, or agency of the State or any county. All such agencies may employ persons registering under this section. Payment for the work shall not be made from the funds of the agency employing such persons but shall be made from the funds of the department. The department shall promulgate such rules and regulations as it deems necessary to enforce and carry out this section.]

(b) A disabled person between eighteen and sixty-five years of age shall be eligible for general assistance, if he:

(1) Is determined to be needy in accordance with standards established by this chapter and the rules and regulations of the department;

(2) Is unable to meet the requirements established by the Federal Supplemental Security Income Program or its successor agency; and

(3) Is unable to engage in any substantial gainful employment because of a physical or mental impairment determined and certified by a licensed physician. "Substantial" as the term is used herein shall mean at least 30 hours of work per week.

Any person determined to be eligible under this subsection may be referred to any appropriate State agency for vocational rehabilitation services and shall be required to accept said services as a further condition of eligibility for the receipt of general assistance under this section. In addition to the foregoing, any person determined to be eligible under this subsection may be required to seek employment, and participate in public work projects as described in section 346-31.

and in public employment projects as described in section 346-102.

(c) A person with children shall be eligible for general assistance if:

(1) He is unemployed for reasons other than voluntary separation without good cause or for misconduct; and

(2) He is actively and diligently seeking gainful employment; and

(3) He has not refused to accept employment when offered; and

(4) He has registered and is available for work as required by section 383-29; and

(5) He has exhausted all of his benefits under chapter 383; provided, however, should the benefits of any person under chapter 383 be less than those for which he would otherwise be eligible hereunder, he shall be eligible for supplementary general assistance; and provided further, that this provision of exhaustion shall not apply to those persons not entitled by law to such benefits.

"Children" as used in this section shall mean a person who:

(1) Is ineligible for and is unable to obtain aid under a federal assistance program; and

(2) Is in need, and has not sufficient income or other resources to provide health care and support to maintain a standard consistent with this chapter; and

(3) Has not attained the age of eighteen years; provided, however, that a child between the ages of eighteen and twenty-one years shall be eligible for assistance under this section, if he or she:

(A) Is regularly attending high school to complete requirements leading to a high school diploma or its equivalent; or

(B) Is employed part-time and is enrolled at least half-time in an organized program of vocational or technical training designed to fit the child for gainful employment; or

(C) Is employed part-time and is enrolled at least half-time in a local college or university; and

(4) Is living in a home with his father, mother, grandfather, grandmother, brother, sister, stepfather,

stepmother, uncle, aunt, first cousin, nephew, niece, or hanai parents in a place of residence maintained by such relative as his own home; or is living in a family home or institution conforming to the standards fixed by the department.

A child for the purposes of this section does not include an unborn child or fetus.

(4) A person who is at least 55 years of age shall be eligible for general assistance if:

(1) He is unemployed for reasons other than voluntary separation without good cause or for misconduct; and

(2) He is actively and diligently seeking gainful employment; and

(3) He has not refused to accept employment when offered; and

(4) He has registered and is available for work as required by section 383-29; and

(5) He has exhausted all of his benefits under chapter 383; provided, however, should the benefits of any

person under chapter 383 be less than those for which he would otherwise be eligible hereunder, he shall be eligible for supplementary general assistance; and provided further, that this provision of exhaustion shall not apply to those persons not entitled by law to such benefits.

(e) The department shall further require in addition to the conditions and requirements stated in subsections (c) and (d), that persons who are physically fit, able to work, and employable shall as a condition to receiving general assistance, register for work on public work projects and accept an assignment to work under section 346-31 or accept such employment as may be offered to them by the department under section 346-102 or by an employer. The term "public work projects" includes any kind of labor under the department of accounting and general services of the State or the department of public works of any county, or under any other department, board, commission, or agency of the State or any county. All such agencies may employ persons registering under this section. Payment for the work shall not be made from the funds of the agency employing such persons but shall be made from the funds of the department. The department shall promulgate such rules and regulations as it deems

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necessary to enforce and carry out this section.

(f) Applicants and recipients shall be required to satisfy all applicable provisions of this section. Recipients disqualified for failure to comply with any of the [department's work] requirements under the provisions of this section shall be excluded from general assistance for a period not to exceed twelve months.

(g) The department shall by rules adopted pursuant to chapter 91, establish criteria and standards for the foregoing conditions and requirements."

SECTION 3. A person receiving general assistance on the effective date of this Act who would otherwise be excluded by the provisions of this Act shall continue to receive general assistance provided he satisfies the requirements under section 346-71(e) and the department finds that:

(1) He is unemployed for reasons other than voluntary separation without good cause or for misconduct; and

(2) He is actively and diligently seeking gainful employment; and

(3) He has not refused to accept employment when offered; and

(4) He has registered and is available for work as required by section 383-29; and

(5) He has exhausted all of his benefits under chapter 383; provided, however, should the benefits of any person under chapter 383 be less than those for which he would otherwise be eligible hereunder, he shall be eligible for supplementary general assistance; and provided further, that this provision of exhaustion shall not apply to those persons not entitled by law to such benefits.

Such person shall also be subject to provisions of subsection 346-71 (f).

SECTION 4. Severability. If any provision of this Act or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 5. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.

SECTION 6. This Act shall take effect upon its approval.

(To be made one and twelve copies)
THE SENATE
NINTH LEGISLATURE, 19 78
STATE OF HAWAII

S.B. NO. 1787-78
S.D. 1
H.D. 1

A BILL FOR AN ACT

RELATING TO PUBLIC EMPLOYMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 78-1, Hawaii Revised Statutes, is amended to read:

"Sec. 78-1 Citizenship and residence of government officials and employees; exemptions. (a) All officers, whether elective or appointive, in the service of the government of the State or in the service of any county or municipal subdivision of the State shall be citizens of the United States and residents of the State for at least three years immediately preceding their appointment.

(b) All employees in the service of the government of the State or in the service of any county or municipal subdivision of the State shall be citizens, nationals or permanent resident aliens of the United States and residents of the State [for at least one year immediately preceding] at the time of their application for employment.

"Resident" means a person who is physically present

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in the State at the time he claims to have established his domicile in the State and shows his intent is to make Hawaii his permanent residence. In determining this intent, the following factors shall be considered:

(1) maintenance of a domicile or permanent place of residence in the state;

(2) absence of residency in another state.

(c) For the purpose of obtaining services which are essential to the public interest for which no competent person with the qualifications under subsection [(a)] (b) applies within forty-five days after the first publication of an advertisement of the position or a notice of an examination therefor, which advertisement or notice has been published more than once, and not oftener than once a week, in a newspaper of general circulation in the State, a person without the qualifications may, upon prior certification by the State director of personnel services or the city and county director of civil service or the county personnel director, whichever is applicable, and with the approval of the chief executive officer for the State or the political subdivision concerned, be employed.

(d) The requirement of residency, as defined under subsection (b) above, shall not apply to a resident who was a resident of the State [for at least one year immediately] before marrying a non-resident and who continues to reside in the State.

(e) For the positions involved in the performance of services in planning and executing measures for the security of Hawaii and the United States, the employees shall be citizens of the United States in addition to meeting the requirement of residency in subsection (b).

(f) The requirements of [residency, as defined under] subsection (b), (c), and (g) [and the requirements of subsection (c)] shall not apply to persons recruited by the University of Hawaii under the authority of [Chapter] section 304-11; provided that all persons recruited as Administrative/Professional/Technical personnel of the University of Hawaii shall be subject to the requirement of residency as defined under subsection (b) and the requirement of subsection (g); provided further that appointment of persons to positions requiring highly specialized technical [and] or scientific skills and knowledge may be made without consideration of residency.

(g) A preference shall be granted to State residents who have filed resident income tax returns within the State or who have been claimed as a dependent on such a return at the time of their application for employment with the State or any county or municipal subdivision of the State.

For residents applying for positions covered by chapters 76 and 77, the preference shall be accomplished as provided in section 76-23.

For residents applying for positions not covered by chapters 76 and 77, the preference shall be accomplished by giving first consideration to such residents, if all other factors are relatively equal."

SECTION 2. Section 76-23, Hawaii Revised Statutes, is amended to read as follows:

"Sec. 76-23 Filling vacancy. All [vacancies and new positions in] vacant civil service positions shall be filled in the manner prescribed in this part or in section 78-1.

Whenever there is a position to be filled, the appointing authority shall request the director of personnel services to submit a list of eligibles. The director shall thereupon certify a list of five or such fewer number as may be available, taken from eligible lists in the following order: first the promotional lists, second the reemployment lists and third the open-competitive lists; provided, that with respect to the eligibles under unskilled classes, the director shall certify all of the eligibles on such list. The director shall submit eligibles in the order that they appear on the eligible list; provided that if the last of the five eligibles to be certified is one of two or more eligibles who have identical examination scores, such two or more eligibles shall be certified notwithstanding the fact that more than five persons are thereby certified to fill a vacancy; and further provided that, for each eligible without resident preference certified, a resident who has filed a resident income tax return within the State or who has been claimed as a dependent on such a return, as provided by section 78-1, shall also be certified.

In any case where there are three or more eligibles in one department whose names appear as eligibles on an interdepartmental list, upon the request of the appointing authority of such department such three or more names shall be certified to him as eligibles on an intradepartmental eligible list; but where the interdepartmental list has been in existence for more than six months and there are five or more persons in the department qualified for the class, the department may request an intradepartmental promotional examination, in which case the director shall hold either an interdepartmental or an intradepartmental promotional examination. The order in which eligibles are placed on eligible lists shall be fixed by rule. The appointing authority shall make the appointment only from the list of eligibles certified to him unless he finds no person acceptable to him on the list certified by the director, in which case he shall reject the list and request the director to submit a new list, in which event the director shall submit a new list of eligibles selected in like manner; provided that the appointing authority states his reasons in writing for rejecting each of the eligibles on the list previously certified to him by the director or, in case of the counties, by the civil service commission. Eligible lists, other than reemployment lists, shall be effective for one year but this period may be extended by the director.

An appointing authority may fill a vacant position in his department by promoting any regular employee in the department without examination if the employee meets the minimum class qualifications of the position to which he is to be promoted, and if the position is in the same or related series as the position held by the employee; provided, that when there is no material difference between the qualifications of the employees concerned, the employee with the longest governement service shall receive first consideration for the promotion.

Any regular employee receiving any such promotion without examination shall be ineligible for a second such promotion without examination prior to his having completed one year of satisfactory service in the position to which he was so promoted, but he may at any time be eligible for a promotion to any position through examination.

An employee filling a permanent position temporarily vacant may be given a permanent appointment to the position if it later develops that the vacancy will be permanent, provided he was originally appointed from an appropriate eligible list and the appointing authority certifies that he has been performing the duties of the position in a satisfactory manner.

SECTION 3. Severability. If any provision of this Act, or the application thereof to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 4. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.

SECTION 5. This Act shall take effect upon its approval.

(To be made one and ten copies)

B8-332 HOUSE OF REPRESENTATIVES
NINTH LEGISLATURE, 1978
STATE OF HAWAII

H.B. NO. 1893-78, S.D. 1

A BILL FOR AN ACT

RELATING TO UNEMPLOYMENT.

SECTION 1. Purpose. Recognizing the hardships caused by unemployment, the legislature enacted Act 151, Session Laws of Hawaii 1975, which established, on a temporary basis, the State Program for the Unemployed. This program was intended to provide employment opportunities to meet the labor force needs of Hawaii's residents without encouraging in-migration. The purpose of this Act is to include in the definition of "unemployed individual" the requirement that the individual be a resident of the State of Hawaii.

SECTION 2. Section -2 of section 1 of Act 151, Session Laws of Hawaii 1975, as amended, is amended by amending the definition of "unemployed individual" to read:

"Unemployed individual" means an individual who is a resident of the State of Hawaii and who is without a job, is able, is available for, and is seeking full-time employment."

SECTION 3. New material is underscored. In printing this Act, the revisor of statutes need not include the underscoring.

SECTION 4. This Act shall take effect upon its approval.

(To be made one and ten copies)

HOUSE OF REPRESENTATIVES
NINTH LEGISLATURE, 1978
STATE OF HAWAII

H.C.R. NO. 17
H.D. 1

HOUSE CONCURRENT RESOLUTION

REQUESTING A STUDY TO IDENTIFY THE COSTS OF GROWTH AND EXPLORE METHODS FOR EQUITABLY DISTRIBUTING THESE COSTS AMONG PRESENT AND FUTURE RESIDENTS

WHEREAS, population growth, through the influx of new residents, may require additional expenditures of public funds to meet the increased demand for public services and facilities; and

WHEREAS, state and local governments, whether seeking to stem or encourage growth, should not place the brunt of these increased costs on present residents; and

WHEREAS, state and local governments may require new residents to contribute an equitable share toward meeting the costs of public facilities constructed earlier and new services and facilities required because of their presence; and

WHEREAS, the U.S. Supreme Court has permitted some financial distinctions between long-term residents and recent arrivals, for example, in permitting publicly-funded universities to charge higher rates to students who have lived here less than a year; and

WHEREAS, it is possible that this precedent may permit heavier state taxes on newly-arrived residents until they have helped pay for pre-existing facilities and have been fully assimilated into the community; and

WHEREAS, judicial precedent requires that any impact fee assessment be for costs related to the specific growth under consideration, not for general revenue expenditures unrelated to new growth, nor for the sole purpose of interfering with the free movement of U.S. citizens; now, therefore,

BE IT RESOLVED by the House of Representatives of the Ninth Legislature of the State of Hawaii, Regular Session of 1978, the Senate concurring, that the legislative reference bureau, in cooperation with the department of budget and finance and the department of taxation, is requested to conduct a study to approximate the costs of population growth on the expansion of major public services and facilities and to suggest methods for equitably distributing these costs among present and future residents; and

BE IT FURTHER RESOLVED that the legislative reference bureau submit a report on the study findings and recommendations, including, if appropriate, suggested legislation, to the Legislature twenty days before the convening of the Regular Session of 1979; and

BE IT FURTHER RESOLVED that all agencies and departments of the State administration and the four counties cooperate with the legislative reference bureau in conducting this study; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the legislative reference bureau, the Governor of the State, the Mayors of each county, the director of the department of budget and finance, and the director of the department of taxation.

(To be made one and ten copies)

HOUSE OF REPRESENTATIVES
NINTH LEGISLATURE, 19 78
STATE OF HAWAII

H.C.R. NO. 20

HOUSE CONCURRENT RESOLUTION

AFFIRMING SUPPORT FOR A COMPREHENSIVE STATE FAMILY PLANNING PROGRAM.

WHEREAS, personal decisions regarding family planning and fertility regulation are private and confidential matters which should be decided by the individual according to one's own values and social responsibilities; and

WHEREAS, human behavior and technology have not reached the point where every conception can be a wanted conception; and

WHEREAS, according to a department of health family planning evaluation report, 60 to 80 percent of pregnancies in Hawaii are reported to be unplanned, mistimed, or unwanted; and

WHEREAS, although the birth rate in the State has been declining, fertility is still relatively high among teenagers, unmarried women, and women with three or more children; and

WHEREAS, the State's role should be to assure that all Hawaii's residents, rich and poor, have access to a choice of safe, appropriate and acceptable reproductive health services; and

WHEREAS, the cost of failure to ensure access to reproductive health care is a heavy burden which society ultimately bears; and

WHEREAS, establishing the right of individuals to access to such care is in the vital interest of the community as well as of the individuals concerned, present and future; and

WHEREAS, the health of women and children, which is particularly enhanced by the availability and accessibility of reproductive health care, is fundamental to the health of a community and is used world-wide as an index of the standard of health; and

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WHEREAS, the legislature has mandated the commission on population and the Hawaiian future under HRS 224-4 to "coordinate the establishment and conduct of effective family planning service delivery and contract or delegate the operational responsibility for such a comprehensive state family planning program to the appropriate state operating agency"; now, therefore,

BE IT RESOLVED by the House of Representatives of the Ninth Legislature of the State of Hawaii, Regular Session of 1978, the Senate concurring, that the right of the people of Hawaii to access to reproductive health care is affirmed; and

BE IT FURTHER RESOLVED that present reproductive health care programs supported in whole or in part by the State be enhanced by increased efforts from public and private resources, in order to implement the provisions of the law under HRS 224-4; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the President of the United States, the Secretary of the U.S. Department of Health, Education and Welfare, the Governor of the State of Hawaii, the director of the department of health, the director of the department of social services and housing, and the chairman of the commission on population and the Hawaiian future.

OFFERED BY:

By Request

JAN 26 1978

To be made one and ten copies

HOUSE OF REPRESENTATIVES
NINTH LEGISLATURE 1978
STATE OF HAWAII

H.C.R. NO. 26

HOUSE CONCURRENT RESOLUTION

REQUESTING THE BOARD OF LAND AND NATURAL RESOURCES TO DISPOSE OF PUBLIC LANDS FOR AGRICULTURAL PURPOSES BY MEANS OTHER THAN PUBLIC AUCTION

WHEREAS, the board of land and natural resources has, for many long years, offered public lands for agricultural leases at public auction; and

WHEREAS, in recent years such public auctions have resulted in excessively high lease rentals; and

WHEREAS, high lease rentals contribute to high production costs and corresponding high commodity prices; and

WHEREAS, some former lessees have been forced into taking the new leases at rental rates beyond economic limits because of the auction; and

WHEREAS, the so-called independent bona fide farmers and ranchers are finding competitive bidding to be beyond their means and thus end up with no leases; and

WHEREAS, although auctioning is deemed fair in that it offers anyone an equal opportunity to bid, it actually gives the "little guy" little or no chance of succeeding in securing a lease; and

WHEREAS, Chapter 171, Hawaii Revised Statutes, provides for disposition of public lands for agricultural purposes by means other than public auction; and

WHEREAS, in the interest of enhancing the State's agricultural economy, public lands should be made available to the user at economic rental rates; now, therefore,

BE IT RESOLVED by the House of Representatives of the Ninth Legislature of the State of Hawaii, Regular Session of 1978, the Senate concurring, that the board of land and natural resources is urged to exercise its powers to employ methods of agricultural land disposition other than public auction which will best support the State's agricultural economy and objectives; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Governor of the State, each member of the board of land and natural resources, and the Governor's agricultural coordinating committee.

OFFERED BY:

By Request

(To be made one and ten copies)

HOUSE OF REPRESENTATIVES
Ninth LEGISLATURE, 19 78
STATE OF HAWAII

H.C.R. NO. 27

HOUSE CONCURRENT RESOLUTION

REQUESTING A STUDY AND RECOMMENDATIONS FOR AN AGRICULTURAL WATER POLICY FOR THE STATE OF HAWAII

WHEREAS, it has been a long-standing public policy to promote more stable economic growth in Hawaii; and

WHEREAS, the diversification of the economic base is deemed to provide a greater degree of stability; and

WHEREAS, the Legislature has encouraged and actively sought new economic activities particularly in diversified agriculture; and

WHEREAS, public policies concerning land use through housing, land use districting, zoning, agricultural parks, and so forth are beginning to make inroads in public and private decision-making; and

WHEREAS, various other forms of public assistance programs such as capital loans, education and training, technical services, land tenure, etc., have been initiated to facilitate the establishment of viable diversified agricultural operations; and

WHEREAS, the State has recognized the importance of the availability and cost of water for irrigation and other agricultural uses; and

WHEREAS, there are currently three State-managed irrigation systems for diversified agricultural purposes--Lalamilo, Molokai and Waimanalo; and

WHEREAS, diversified agricultural farmers on individually owned and other privately owned and State-owned lands do not now have access to irrigation water at comparable costs and in comparable amounts, but must purchase limited amounts at the higher domestic and commercial rates; and

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WHEREAS, it is essential and critical in the interests of greater agricultural self-sufficiency that water for diversified agriculture be available in appropriate quantity, quality and cost; now, therefore,

BE IT RESOLVED by the House of Representatives of the Ninth Legislature of the State of Hawaii, Regular Session of 1978, the Senate concurring, that the Governor's water commission, in cooperation with the department of land and natural resources, and the boards of water supply of the four respective counties study the feasibility of an integrated agricultural water policy, including but not limited to the supply and delivery of water for diversified agricultural purposes at appropriate amounts and rates; and

BE IT FURTHER RESOLVED that the Governor's water commission coordinate this study and report the findings and recommendations to the Legislature twenty days before the convening of the Regular Session of 1979; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Governor of the State of Hawaii, the chairman of the department of land and natural resources, the chairmen of the county boards of water supply and the chairman of the Governor's water commission.

OFFERED BY:
By Request

JAN 26 1978

33-070 718

FR-110(78)

(To be made one and ten copies)

HOUSE OF REPRESENTATIVES
NINTH LEGISLATURE, 1978
STATE OF HAWAII

H.C.R. NO. 28
H.D. 1

HOUSE CONCURRENT RESOLUTION

REQUESTING CONGRESSIONAL ACTION

WHEREAS, our nation as a whole benefits from international traffic, but only a few designated airports and harbors bear the added costs and responsibilities in performing the port of entry duties; and

WHEREAS, in the State of Hawaii, the Honolulu International Airport and the Honolulu Harbor provide space for Customs, Immigration and Naturalization, Agriculture, Public Health Service and Coast Guard to carry out the port of entry and patroling duties; and

WHEREAS, the pre-clearance activities of the U.S. Department of Agriculture at Hilo, Kona, Kahului and Lihue airports are conducted on space provided at no cost by the State of Hawaii, thereby relieving the U.S. mainland airports of this responsibility in this regard; and

WHEREAS, the capital improvement costs for these activities have run over $10,000,000 and the operating costs run to about $400,000 per year; and

WHEREAS, the border agencies, with the exception of Customs in Honolulu Harbor, do not pay any rent.

WHEREAS, at the Honolulu Harbor, Customs is billed only for a portion of the total area used by them; and

WHEREAS, Public Law 87-255 permits Customs to pay for use of space; and

WHEREAS, Congress has to approve funds (budget) to border agencies to pay for their use of space at the Honolulu International Airport and Honolulu Harbor; and

WHEREAS, this aspect was brought up by Admiral E. Alvey Wright, former director of the department of transportation, and others, at the recent hearing before the Committee on Commerce, Science and Transportation of the Ninth Congress under the International Visitor Facilities Session held during April 14 and 28, 1977; and

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WHEREAS, Mr. C.R. Dickerson, Acting Commissioner of Customs, has stated in his response to Honorable Daniel K. Inouye, Chairman, Subcommittee on Merchant Marine and Tourism, that if Customs were charged by the Honolulu International Airport for use of space, thereby giving them the full control of the space and all contracting authority to alter it, Customs would be in a better position to negotiate space; and

WHEREAS, the Senate amendment of the Airport and Airways Development Act Amendments of 1976 states that, "... In addition, Federal inspection agencies were required to pay sponsors for space used for inspecting passengers and baggage in foreign air transportation to the extent these facilities were not paid for under this provision."

WHEREAS, the Airport Operators Council International, in their statement to Honorable Daniel K. Inouye, Chairman, Subcommittee on Merchant Marine and Tourism, states that, "... space required by the Federal Inspection Service for the performance of their statutory functions at U.S. airports is supplied without cost to the Federal government. If all federal inspection agency operations at United States airports were financed through the regular congressional appropriations channels, as has been long authorized by law, neither the airlines nor the public airport sponsor would be required to subsidize governmental inspection functions. The inability of the inspection agencies to pay for the space they use at international airports cuts both ways. Many of our members report that, since the federal inspection services do not pay for their space, they are not as cost-conscious as other tenants and often ask for more space than is clearly needed for effective operations."; and

WHEREAS, at Hilo, international arrival activities are comtemplated; now, therefore,

BE IT RESOLVED by the House of Representatives of the Ninth Leislature of the State of Hawaii, Regular Session of 1978, the Senate concurring, that the members of Hawaii's congressional delegation are requested to introduce legislation that will provide adequate funds to border agencies using space at the international airports and harbors, thereby recognizing the added burden to the State of Hawaii and other similar states imposed by the port of entry activities; and

BE IT FURTHER RESOLVED that copies of this Concurrent Resolution be transmitted to the Governor of the State of Hawaii, the President of the United States Senate, the Speaker of the United States House of Representatives, and to each member of Hawaii's congressional delegation.

Statement by Luther Tweeten to
Select Committee on Population,
U. S. House of Representatives,
Congress of the United States,
June 7, 1978*

The nation is experiencing a major demographic transition characterized by a shift of population from the "frost belt" to the "sun belt" and from metropolitan to micropolitan (nonmetropolitan) areas. From 1970 to 1976, micropolitan counties grew 8.0 percent while metropolitan counties grew 4.7 percent. The micropolitan growth is broad-based. Micro counties not adjacent to metro counties grew 7.3 percent from 1970 to 1976, a considerably faster rate than metro counties but a slower rate than micro counties adjacent to metro counties. Rural growth is not just in the South--it characterizes every geographic region of the country with the exception of the Great Plains.

The population turnaround poses new challenges: not long ago social scientists and politicians were preoccupied with the great rural-urban exodus and the problems posed thereby for declining rural areas and for overcrowding central cities. The situation has reversed but social problems remain. I outline a National Growth Policy to deal equitably and efficiently with rural and urban problems of growth and decline. But first it is well to review the Federal financial commitment to deal with domestic problems of the nation.

THE FEDERAL COMMITMENT

The financial commitment of the Federal government is placed in perspective by examining outlays for programs by sector. Federal outlays totaled $1545 per capita in metropolitan counties and $1271 per capita in micropolitan (nonmetropolitan) counties in fiscal year 1976 with components as shown below:

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*Regents Professor, Department of Agricultural Economics, Oklahoma State University, Stillwater.

	Micropolitan	Metropolitan
Human resource development	$ 742	$ 776
Housing	59	105
Community and industrial development	153	132
Agriculture and natural resources	90	23
Defense and space	219	468
Other	8	41
Total	1271	1545

Whether this distribution is appropriate can be judged on the basis of need in the two sectors. The largest category of Federal outlays is human resource development, totaling $776 per capita in metro counties and $742 in micro (nonmetro) counties. The following data revealing human resource needs for micropolitan and metropolitan areas make a case for greater Federal outlays per capita for human resources in micro than metro areas:

	Micropolitan	Metropolitan
Median family income (1975, $)	11,600	14,909
Poverty (1975, % poor)	15	11
Dependency rate (1970 population under 18 and 65 and over divided by all ages, %)	86.5	77.1
Median school completed (1970, years)	11.2	12.2
Labor force participation		
(1970, males, %)	74	78
(1970, females, %).	41	43
Unemployment rate (1970, %, males)	4.1	3.9
Underemployment (1970, %, males)	25.0	17.8

Median family income in micro areas was 79 percent that in metro areas in 1975 (80 percent in 1976), a greater difference than justified by lower cost of living in micro areas. Poverty is not only more pervasive but deeper in micro than in metro areas. Because the very young and the elderly require more social services than middle-aged persons, the high dependency rate in micro areas further supports the need for more Federal outlays per capita to micro areas. Micro areas lag behind metro areas in median schooling completed.

Unemployment and underemployment rates also justify higher Federal outlays for human resources in micro areas. Some $17 billion of Federal funds are allocated annually according to employment and unemployment data. Unfortunately, many small communities are poorly served by such allocations--they have no employment and unemployment data! A most serious conceptual problem is that unemployment grossly underestimates the degree of underutilization of human resources especially in economically depressed rural areas because (1) relatively immobile potential labor force participants have not sought gainful employment or no longer seek gainful employment due to chronic lack of local job opportunities, (2) rural workers face few employers so that the costs of additional active search exceed gains more quickly than for urban workers, (3) the incidence of self-employment is high, and (4) the incidence of jobs covered by unemployment compensation is low.

Element (2) causes workers to be dropped from unemployment rolls--they no longer seek work actively because they need little time to survey work opportunities. And knowledge of new opportunities is likely to come not from the public employment service (which would list them as unemployed) but from friends and relatives in an environment where informal labor information systems predominate. Element (3) increases opportunities to subsist without fully utilizing human resources; element (4) obviates the need to register for unemployment compensation or for jobs at the public employment services office, which may be remote. The underemployment rate, which includes discouraged workers who have dropped out or never entered the labor force and workers earning below reasonable potential, as well as unemployed workers, is a better measure of underutilized human resources and need for labor services. It is not time to shift the formulas that allocate $17 billion in Federal funds to an underemployment rather than an unemployment criterion, or at least give areas a choice of which criterion to use?

With the incidence of substandard housing in micro areas (8 percent) double that in metro areas (4 percent), how do we justify $105 per capita Federal housing outlays in metro areas and only $59 per capita in micro areas?

Efforts to conserve natural resources and maintain the viability of family farms results in more outlays for agriculture and natural resources in micro than in metro counties. But differences in defense and space outlays favoring metro areas dwarf differences in agriculture and natural resource outlays. It is well to note that, of the 60 million micropolitan residents, 7.8 million live on farms--and these receive more than half their income from off-farm sources. Even using generous multipliers to depict the total number of persons who depend on farming for their livelihood, only 15 percent of all micro residents depend either directly or indirectly on farming for their economic base. The remaining 85 percent of micro residents depend on other basic industries. A prospering farming economy does not alone insure economic vitality of rural America.

Micropolitan areas, which contain nearly one-third of the nation's population, would like to at least even up per capita outlays between the two sectors before pressing for equitable treatment based on need posed by problems of growth, attentuation or decline.

NATIONAL GROWTH POLICY

This nation has no National Growth Policy that is equitable and efficient in meeting the needs of the nation. Micropolitan America asks no special favors of a National Growth Policy, but rural and urban areas stand to benefit from a redirection of domestic development efforts. First priority in a National Growth Policy would be to address problems of low income and underemployment (including unemployment). Transfer payments to the unemployable poor can be allocated to individuals and households according to need as measured by low income. Because many states with high proportions of rural residents are unable to afford adequate welfare programs and their poor spill over into other states where payments are more nearly adequate, a case can be made for Federal takeover of all welfare programs with appropriate adjustments for cost of living. A problem is that cost of living data are unavailable for micropolitan areas—a major oversight in Federal statistics that needs to be corrected!

A policy for the underemployed

Programs for the employable who desire to more fully utilize their human resources can be allocated according to underemployment. A problem is that underemployment data are not adequate for any areas--another oversight in Federal statistics that needs to be corrected. I am confident this oversight will be corrected. The guidelines for a National Growth Policy to alleviate underemployment are as follows:

(1) Expand the economic base in areas characterized by high rates of underemployment. Research indicates that such a policy would use Federal funds cost-effectively in alleviating underemployment which in turn is closely

associated with poverty, low income, outmigration and rurality.[1]

(2) Use established substate multicounty districts with high underemployment as the administrative unit. The advantage of the multicounty district is that it contains the sense of community (as a trade area), planning expertise, local involvement, economic vitality (not found in each high underemployment county) and other advantages required in a focal point for development. Start with a few multicounty districts with high underemployment and provide the critical mass of resources required for a takeoff to sustained growth. As Federal funds become available, add more districts and phase out the districts designated earlier after perhaps 10 years of funding—by this time they will be capable of self-sustained growth if economically viable.

(3) Given areas selected above, focus job creation efforts in communities of 10,000 to 500,000 population—the size range where costs of providing community services are lowest. This size of community provides low transportation and energy costs and avoids many problems of pollution and anti-social behavior found in large metropolitan communities. This size range contains medical, communication and other services plus a labor force necessary for the vitality of progressive industries.

(4) Provide assistance in the form of tax writeoffs or other incentives to private industry for locating or expanding in such communities. Emphasize "export" industries that bring in dollars from outside areas. In addition to the usual economic base, depend on transfer payments provided by "people" programs to those who cannot work and additional income generated by job

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[1] See Luther Tweeten and George Brinkman. Micropolitan Development. Lincoln: University of Nebraska Press. 1976. Chapter 15.

creation incentives to those who can work to provide income to support the level and combination of public services such as sewerage, water and streets desired by communities.

(5) Use a wage supplement, training allowances and other means to encourage hiring of the underemployed in jobs created.

Changing existing programs

The above simple prescription for a National Growth Policy avoids the administrative problems that attend current programs. The proposal is as notable for what it excludes as for what it includes. Examples of exclusions are:

(1) General revenue sharing. Revenue sharing, particularly general revenue sharing, erodes local and state fiscal responsibility, reduces local and state government tax effort and contributes little to expanding the economic base of areas with high underemployment. A case can be made for Federal government funding only of domestic development activity that local and state governments have too few resources to fund at minimum "socially acceptable" levels or realize too small a proportion of benefits within their borders. Thus the case for Federal revenue sharing to fund local parks, main streat facelifting and other municipal facilities through revenue sharing without consideration of need has little justification.

The concept of "socially acceptable" needs elaboration. Many rural facilities such as hospitals have been closed down or overbuilt because Federal standards are established for urban conditions and are not relevant for rural conditions. The result in some instances is no facility within reasonable distance of rural residents and in other instances is expensive facilities that can be maintained only at excessive cost to local communities or with Federal subsidies. Rural people are not necessarily opposed to safety, medical and other standards imposed on communities by the Federal government, but they widely question whether they are getting their monies worth from current guidelines.

(2) Infrastructure. The Federal government provides direct and indirect assistance to infrastructure that has a major impact on location patterns. An example of indirect assistance is a deduction on Federal income tax for real estate interest, capital gains, business expenses and property taxes. A city resident living in a rental unit where he is receiving no such deductions is attracted to purchase a residence in the country where he can operate a small farm, continue to work in town, deduct interest payments and property taxes and business expenses (including perhaps a pickup truck used for more than the farm business) from Federal income taxes. When he sells, he receives favorable tax treatment on capital gains. Use of cash accounting, capital gains on livestock, investment tax credit, accelerated depreciation and other income tax provisions available to farmers further rewards his country living. Direct Federal assistance to rural areas includes grants and concessional loans for water, sewer, electrical, telephone, police, fire protection and other services to residents and communities.

Few Americans would begrudge these concessions to bona fide farmers and other rural residents with low incomes. But the programs for the most part make no distinction for ability to pay. The programs encourage sprawl, high costs of services to low density settlement patterns, unsightly development and excessive energy use (e.g. gasoline for commuting). Although a case can be made that people should have considerable discretion to locate their residence where they chose, the Federal government need not subsidize them to live in locations that entail high costs for roads, school bus, mail delivery and other services and facilities.

Land use planning and associated zoning is an enticing alternative to reform the above programs that encourage sprawl. Rural people are independent and very reluctantly accept land use planning and zoning ordinances with teeth and imposed by the Federal government. My observation is that zoning in micropolitan areas can be useful but alone is unable to direct growth and avert sprawl--variances are easily acquired for the most part.

(3) Public service employment. Billions of dollars are spent on programs to employ the disadvantaged in the public sector. Many of the jobs created thereby provide little training and add more to inflation than to output. The proposed program would rely on inducements to private industry to hire and train the disadvantaged in jobs where productivity is higher than in the public sector.

Phasing out or reducing Federal outlays for general revenue sharing and public service employment programs would provide the fiscal base to fund the National Growth Policy outlined. The proposed allocation formula makes no distinction between sectors and can increase national output by more efficiently utilizing the nation's resources of labor and capital. It can reduce the "full" employment rate from the current 6 percent unemployment to perhaps 4 percent unemployment. A major cause of inflation is public deficit spending to increase aggregate demand to achieve only 4 percent unemployment--a rate that cannot be attained without massive inflation because of structural impediments to employment, one of which is major pockets of underemployment especially prevalent in rural areas.

FUTURE PROSPECTS BY TYPE OF MICROPOLITAN COMMUNITY

National growth policy must give first concern to the socio-economic pathology of domestic development--that means priority for items outlined above focused on disadvantaged people and areas. But we cannot overlook the problems of growth, although the "growth dividend" provides a handy means for communities, counties, substate multicounty districts and states to pay the cost of alleviating growing pains. The Federal role can be largely restricted to planning and educational activities--for the latter the Cooperative (Federal-State) Extension Service provides a helpful model.

To the extent that the government makes an effort to align social and private costs (benefits), the net impact is expected to be an increasing share of population in places of small and intermediate size cities at the expense of small towns and central cities of metropolitan areas. Fundamental growth elements depicts a bright future for micropolitan areas. But the promise and problems of growth, attenuation or decline differ by type of micropolitan community. In examining these issues, it's useful to divide communities into categories of: (1) resource extraction, (2) satellite, (3) retirement and recreational, (4) manufacturing centers, (5) viable trade centers, and (6) small communities largely tied to agriculture.

Extractive industry communities

The economic base in large numbers of micropolitan areas continues to be tied closely to extractive industries--agriculture, mining, and lumbering. Agricultural communities will be discussed later under categories 5 and 6 above.

The energy crisis and heavy demand for coal are rejuvenating many rural areas dependent on extractive industry, although not without environmental costs. Population in the southern Appalachian coal fields increased by a substantial amount, 6.3 percent, from 1970-73. Many coal towns in sparsely populated mountain and Great Plains communities will experience rapid population growth in the future. Mining communities pose special problems of planning and organization. Some communities boom "overnight," and predicting and helping to smooth growing pains in indeed a challenge. Other problem areas and their degree of seriousness are summarized in Table 1.

As mineral resources are exhausted, new challenges emerge in easing the transition to a reduced economic base. To avoid having a ghost town, alternate employment may be part of the master plan for the long run when mining communities are formed. That is, other industry can be phased in as mining activities are phased out. Closer cooperation will be required between extension, research, planning, and public program implementation than in the past if these problems are to be confronted effectively.

Satellite communities

The suburbs, many of them micropolitan communities, continue to grow more rapidly than either metropolitan centers they're near or other micropolitan communities taken as a whole.

Oklahoma satellite communities within 30 miles of the metropolitan centers of Tulsa and Oklahoma City progressed at a rapid rate in the 1960's, with 83 percent of them growing. The population of satellite communities as a whole grew over 40 percent in each of the decades 1950-60 and 1960-70.

People move to these areas in search of open space and to avoid problems associated with congestion in the metropolis. The economic base for these communities remains in the metropolis, and the principal problems are

Table 1. Summary classification of micropolitan problems.

	Resource extraction	Retirement and recreational	Satellite	Manu-facturing	Trade center	Small communities
1. Organization and planning						
Land-use planning and zoning	v	v	v	s	s	n
Comprehensive economic planning	v	s	n	v	s	n
Social processes	v	v	s	v	s	s
2. Public services and infrastructure						
Local government administration	v	s	s	s	v	s
Health	s	v	s	s	s	v
Housing	s	s	n	s	s	v
Recreation	s	v	s	s	s	v
Transportation	s	s	v	s	s	v
Crime prevention	s	s	v	v	s	n
Education and training	s	s	s	s	s	v
Welfare	s	s	s	s	s	s
Other services (fire, water, waste, etc.)	v	s	s	s	s	v
3. Income and employment						
Business and industrial management	s	s	s	v	v	s
Industrial development	s	n	s	v	v	n

Key: v = very serious problem
s = somewhat a problem
n = not much of a problem

transportation for commuters and obtaining a high quality of life in the face of rapid population growth.

The communities are unlikely to become trade centers, and their residents emphasize making the community a nice place to live. Zoning may be required to help create or maintain an attractive community and provide quality services at low cost (Table 1). In some instances, satellite communities can join together in providing services such as hospitals, medical centers, and schools. Extension education specialists can help in their efforts to organize and plan for desired improvements.

Retirement and recreational communities

High rates of outmigration of the young and most educated from micropolitan to metropolitan areas has resulted in a higher proportion of the elderly in the former than in the latter areas, as noted earlier. With earlier retirements, greater population mobility, and preferences for micropolitan communities, significant numbers of retired people from the metropolis have settled in micropolitan communities.

The 377 micropolitan counties in the U. S. with 10 percent or more net immigration at retirement ages grew in population by 9.3 percent from 1960-70 and by 8.2 percent from 1970-73. This was by far the most rapid rate of increase of any major category of micropolitan counties considered by Beale.[2] Although many retirement communities are in the traditional Florida and southwestern sun belt, increasing numbers of such communities are appearing in the upper Great Lakes, the Ozarks, the hill country and east coastal plain of Texas, and the Sierra Nevada foothills of California.

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[2] Calvin Beale. "The Revival of Population Growth in Nonmetropolitan America." Washington, D. C.: U. S. Department of Agriculture, Economic Research Service. 1975. p. 6.

Recreational and retirement communities will continue to grow rapidly in the future. These communities will locate especially in the "sunny" South and West and near attractions such as lakes and mountains. Proper zoning and the provision of adequate community services are prominent issues. Seasonal aspects of the local economy can pose troublesome planning problems because peak-season service loads and labor demands can create excess capacity and high service cost per unit of output in the off-season. Diversification of the economic base may be called for to provide year-round employment opportunities.

Another problem of relevance to extension education is how to effect a responsible social action process where people feel no strong roots and sense of community. Conflicts can arise between established residents with children in school and retirement families who see less need to fund such services. Enrichment of the lives of the elderly is a continuing challenge and can have tractable solutions where concentration of the aged in micropolitan retirement communities offers economies of size in providing enrichment programs.

Manufacturing centers

Decentralization of manufacturing was the single most important factor in micropolitan county job growth from 1960-70, directly accounting for nearly half of all employment growth and indirectly supporting as much as three-fourths of the job growth.

The annual rate of gain in manufacturing employment was 3.4 percent in micropolitan areas compared to only 1.3 percent in metropolitan areas. The 263 micropolitan counties with 40 percent or more workers employed in manufacturing grew 7.3 percent from 1960-70 and 3.3 percent from 1970-73--the latter rate somewhat below the average rate, 4.2 percent, for all micropolitan counties. From 1969-73, manufacturing jobs directly accounted for only 18 percent of job growth, a major turnaround from the 1960's.

Service industries are growing rapidly in the entire economy and in micropolitan areas. Some of these service industries exist only to serve basic industries and consumers. But an increasing amount of micropolitan service industry is basic, bringing in dollars by exporting output to a regional or national market. Some of the highest rates of growth among micropolitan industries were in finance, insurance, and real estate (5.3 percent) and in trade (5.3 percent) from 1970-73.

Miscellaneous industries also contribute to micropolitan population growth. Higher education is one such industry. The 187 micropolitan counties with a senior state college grew very rapidly, 5.8 percent, in the 1970-73 period. Micro counties adjacent to metropolitan areas and hence with an economic base in the large city grew 4.7 percent from 1970-73, considerably faster than nonadjacent micropolitan counties or metropolitan counties.
In the industrial community, as well as other micropolitan communities, new problems will emerge that have long plagued the metropolis. These problems include sharp increases in crime rate, family disintegration, lack of a sense of community, pollution, alienation from traditional institutions such as the church, and distrust and disenchantment with leadership.

Social scientists have a potential contribution to make in providing a research base of prescriptions of how to arrest or reverse these trends, and in extending findings to preserve the best of traditional rural values in a micropolitan industrial community.

Trade centers

Numerous trade centers of 5,000 to 50,000 population are found in micropolitan areas and serve surrounding hinterlands comprised of open country and small towns largely tied to agriculture as the economic base. The end of the great farm-urban exodus is in sight. After annual rates of net migration from the farm averaging over 5 percent per year since 1940, the rate dropped to 2.5 percent from 1970-74. The average annual net migration of 143,000 per year from 1970-74 is dwarfed by the net migration averaging 1 million per year in the 1950's.

Labor-saving technology, such as the huge 4-wheel drive tractors, will continue to encourage farm consolidation, but this will be offset to some extent by "city" people residing on small farms and commuting to jobs in town. On the other hand, an increasing proportion of farmers will live in town and commute to their farms.

The 104 counties in the U. S. with 40 percent or more of the work force employed in agriculture declined in population by 13.3 percent between 1960 and 1970 and by only .9 percent from 1970-73. As the number of outmigrants slows because of so few farm people left behind to supply future migrants, the impact will be not only to slow the rate of population loss in farming areas, but also in nearby towns and small cities supplying services to farmers.

Agribusiness firms have experienced economies of size and have frequently left smaller communities for trade centers where, for example, machinery dealers have a large enough volume to stock spare parts and fertilizer dealers can purchase in carload lots. Shopping centers provide the quality and variety of goods desired by the woman in her household shopping. Because many trade centers will grow in population, they're concerned with issues of zoning and planning services. Also many trade communities possess the labor force, amenities, transportation, and other services required to attract industry to augment their economic base. Counseling and planning help can be very important. Trade centers have a favorable future.

Small communities largely tied to agriculture

Many of the remaining towns of under 2,500 population that aren't mining, satellite, industrial, recreation, retirement, or trade center communities will continue to lose commercial establishments and population. Even for those maintaining a stable population, a large number of youth will leave for better economic opportunities elsewhere. Cooperation with other communities in providing schools, solid waste disposal, and medical and hospital services and facilities are prominent issues.

Extension and planning assistance can help these communities work together to provide quality community services and facilities at reasonable cost. Leaders and residents of these communities should realize that their community's potential for growth is limited, and that the proper focus for planning may be on issues of attenuation or decline.

A CONCLUDING NOTE ON DATA

Micropolitan areas lack adequate data to monitor socio-economic trends and to direct public policy. Examples of needed data include cost of living indices, improved measures of underemployment, and greater census detail. The purpose of public policy presumably is to improve the well being of people. Social scientists rely on income, education, health, migration and related data to construct social indicators but rarely measure well being directly. Considerable methodological progress has been made by psychologists and sociologists in scales which directly measure quality of life as perceived by individuals. Perhaps it is time to conduct a nationwide sample of well being using such scales. These scales can in turn be related to income, education, occupation, health, marital status, size of family, mobility, housing and other "social indicators." With this information in hand, scientists will be in a better position to appraise the impact of public policies and demographic trends on well being and to provide alternatives to policymakers.

Rural America is no longer "the people left behind" but is dynamic and heterogeneous. A recent extensive survey by Lou Harris and Associates reveals that new residents compared to established residents in rural areas are wealthier (median income $13,500 versus $12,700 for established residents), higher in occupational status (24 percent in the professional occupation category), and concerned about inadequate community services. Americans in general viewed small towns and rural areas, compared to cities and suburbs, as the place where one finds the least crime, best child rearing environment, the lowest taxes and cost of living, the friendliest people and the least racial discrimination. The rural population would double if the proportion of people, based on sample data, who express a preference for rural residence actually acted on their preference. The principal reason for not acting on their preferences was economic--lack of job opportunities, a problem addressed in this statement. Rural people in majority were satisfied with their community services and housing. One exception was expressed lack of recreational opportunities, particularly for young people, in rural areas.

LAND AND WATER POLICY IN FLORIDA:

THE EXPERIENCE OF A GROWTH STATE

by

Richard G. RuBino

Associate Professor of Urban and Regional Planning
Department of Urban and Regional Planning
Florida State University
Tallahassee

This statement was prepared as part of testimony given before the House Select Committee on Population on 7 June 1978 in hearings related to the topic of "Areas with Growing Population."

The recent population explosion in Florida is the consequence of many factors, but foremost among these are increased mobility, a more affluent society, and the propagation of air conditioning. All of these factors have added up to a rapid in-migration of people to the Sunshine State. In the last thirty years, to own an automobile has become an almost "unalienable right" of every American, and in this period the time distance to Florida has been lessened considerably; roads have been immeasurably improved, and air travel has become commonplace. The hundreds of thousands, and then millions of vacationers who visited the state every year (e.g., 30.5 million tourists in 1977[1]) found that the sunshine was bright, the beaches were grand, and when it got too hot they could always go into their air conditioned hotel and motel rooms. People who in the early 1950's had scrimped and saved, and put their children through college soon found that they had the time, the money, and the means to vacation in Florida. What they saw they liked, and many of these visitors considered the possibility of retirement in the Sunshine State. The land sales industry quickly took advantage of the situation and welcomed these people to its fold. America's great rediscovery of Florida had begun.

Significant growth has occurred only within the past generation. In 1950 the resident population of Florida was 2.7 million people. By 1970, the state had grown to 6.7 million people, and it suddenly was ranked ninth in the nation in terms of total population. Today, the population figure has risen to around the nine million mark, and about three-quarters of this increase has been due to in-migration.

In 1950, Florida's population was almost evenly distributed between the south (about 30%), the central (36%), and north (34%) portions of the state. But the tremendous immigration that occurred in the following twenty-eight years has been unevenly distributed. Most of the newcomers have moved into the Florida of the promotion brochures (i.e., the south and central portions of the peninsula). This is the part of Florida, however, which is least tolerant of development. In his book titled, The Florida Experience: Land and Water Policy in a Growth State, Luther J. Carter referred to a study by environmentalists and architects that showed that not more than a third of the land in the entire state has a "high tolerance" for development, and "the greater part of the land so classified is not on the peninsula but in the upland of north Florida and the panhandle."[2] It now is estimated that about 40% of the resident population lives in the south portion of the state, slightly under 40% in the central, and only around 20% in the north. Figures on tourism would probably hold about the same, with perhaps a bit of an advantage to central Florida because of Walt Disney

World.

As the millions of people descended upon Florida they found a state that was entirely unprepared to think about the necessities of guiding growth. The negative consequences of uncontrolled growth upon a fragile environment were at first unforeseen and then for a long while ignored in favor of the rapture of growth. This narcosis induced by growth, so inbred in American ideals, is similar in effect to the so-called rapture of the deep (i.e., nitrogen narcosis) where a sense of euphoria leads a diver to ever increasing depth and an inescapable lack of air. Such did the intoxicating effects of growth lead Florida and its communities into accepting growth at any cost.

II

The innovative land and water management programs enacted in Florida over the past six years were born of necessity--but it took a manifest crisis to emphasize the necessity. Although land and water problems of major proportions had beset the Peninsular State for years, it took two successive years of severe drought in south Florida to trigger major corrective actions.

Prior to the droughts, a general lack of concern about the quality and distribution of growth prevailed; but the presence of numerous land and water use problems, particularly in the parts of south and central Florida which were least tolerant to development, became more and more visible. As the quantity and severity of these problems increased, the outcries began. This was illustrated by newspaper headlines of the time: "Severe Water Shortage in Dade County," "Depleted Underground Water Sheet Cannot Supply Needs of Urban Population," "Salt Water Intrusion Causing Major Problems," "Lowering of Water Table Dries Up Wells of Homeowners and Causes Depletion of Natural Lakes." Among the myriad of other problems that were surfacing were: that prime agricultural lands which were being lost to urbanization, massive transportation problems were being encountered, the encroachment on dunes was causing erosion problems, major fish kills were occurring as the result of water pollution, illegal or improperly managed dredge and fill operations were having adverse impact on the environment. Nevertheless, despite the increasing severity of problems such as these it took the crisis situation imposed by the droughts to bring Florida to take significant steps to better manage its growth.

Much of south Florida is a land of great swamps, and it was in these normally wet grasslands that great fires broke out during the droughts of 1970 and 1971. The underground fires were difficult to control, and over seven million acres of grassland were burned. The acrid smoke created by the fires drifted across the heavily populated "gold coast" of Florida. Traffic slowed to a crawl along major highways and few people ventured out-of-doors for long. But the fire and smoke was only one of the many problems faced by the over two million residents of the Miami-West Palm Beach area. The droughts also forced severe restrictions on the water available for residential, commercial, and industrial uses. A dwindling supply of fresh water from canals and conservation areas had to be committed to avoid salt water intrusion into the water supply of Dade County. The droughts emphasized a concern about the availability of water even in normal times.

These severe droughts in south Florida provided the major impetus to an awakening concern over the use of land and water over the entire State. In 1971, a committee of the Florida House of Representatives began work on a bill to provide for a state land use management program.[3] In addition, Governor Reubin O'D. Askew called a Conference on Water Management in South Florida. This conference resulted in far-reaching recommendations, among which was one that implied that a water management system could not be effectively implemented until the use of land was more adequately controlled.[4] This recommendation keyed the development of a number of innovative and statewide planning and land and water management programs.

The now well-known Florida Environmental Land and Water Management Act of 1972 was the first of these land and water management programs, but it was only the precursor of a "package" of programs that were either developed or considered in time for the 1972 session of the state legislature. Included within this package of seven inter-related bills was the environmental land and water management proposal, a water resources management proposal, a revision of the purpose of state comprehensive planning, and a proposal to strengthen the role of regional planning. All but the regional planning proposal were passed by the 1972 legislature; a tremendous start for Florida's attack on uncontrolled and unguided growth.

Another vital and necessary component of the emerging effort toward growth management was that of completely modernizing the role of local governments in land management. With more than enough work already on hand, however, the framers of the land and water management package did not have the time to put this vital link together. It would have needed far more effort than that already eventful year would have allowed. As it turned out, a two-year environmental land management study committee (ELMS Committee) was amended onto the environmental land and water management bill, and this body made revision of local land development regulations one of its major efforts.

The greatest development period that Florida has ever experienced occurred during the early 1970's, especially 1973-74. But in the frenzy of the situation almost everything development-related was over-extended: land developers had laid out too many lots, the home construction industry had constructed too many homes, and the lending institutions had gone along with the splurge. When the recession hit Florida, it hit hard. Along with tourism and agriculture, the home construction industry is a significant aspect of the job base. Land sales are again picking up and the home construction industry has recovered, but development is not like it was in the early 1970's. Although the recession did slow the development industry, it had only a minor, if any retardation to population growth.

Broward County, for example, now has an estimated resident population of 944,000, almost double that of 1970. Yet even more residential development is in the offing; existing and approved development plans would add an additional 600,000 full-time residents to the county population.[5] The county, whose development tolerant lands hug the coast, as is the case with almost all south Florida counties, faces a major predicament in terms of limited natural resources and increasing demands for public services. This county's response to this predicament will be discussed later.

The intensity and immensity of growth in Florida demanded a multi-faceted and innovative effort by all levels of Florida government. The problems created by rapid growth were beyond the capabilities of resolution by any one level of government alone; the counterattack on unguided growth needed to be concerted and coordinated among all levels of Florida government. Although the first wave of counterattack came in the form of innovative state government actions, dependence on implementation of these actions by local governments was a basic tenet of most of the new programs. This policy was emphasized at a conference on the social and environmental impact of land use regulations by State Senator Kenneth H. MacKay, Jr., one of the legislative leaders in Florida's land management efforts.

> The basic policy reflected in our statutes is a policy that land use regulation should as much as possible be made and implemented and enforced at the local level. In fact, a review of the Florida statutory scheme starting with the Environmental Land Management Act would show that the state only intervenes at times when the state has an over-riding regional or state interest which justifies the state in effect preempting the issue from local government.[6]

Florida's innovative land management efforts are said to have started with the Environmental Land and Water Management Act of 1972. It is vitally important to recognize, however, that this Act was but one of a package of programs seen as necessary to fully contend with the size and rate of growth being experienced; what was envisioned was an interdependent package of state-level programs, strong regional programs, and a completely revitalized and stronger land management authority for local government. Much of this package was enacted into law, yet other parts of the "game plan", such as strengthening the regional role, are still far from reality. The status, successes, and failings of some of the major components of this land management package are discussed in the following section.

III

Environmental Land and Water Management Act of 1972

The Environmental Land and Water Management Act[7] empowers the Governor and Cabinet to designate specific geographic areas of critical state concern and to establish principles to guide the development of those areas. Further, the Act permits the state to adopt guidelines and standards to be used in regard to certain land developments that are presumed to be developments of regional impact (DRI's).

Both of these components of the Act are far more than just environmentally oriented; for instance, areas of critical state concern can be designated for: (1) environmental, historical, natural, or archeological resources of regional or statewide importance; (2) existing or proposed major public facilities or areas of major public investment; or (3) a proposed area of major development potential. The latter is intended to provide an opportunity for state government to marshall its resources and programs to attempt to bring development into underdeveloped parts of the state (e.g., the north portion).

The first step in the designation process is for the state to undertake a study to determine whether an area qualifies as being of critical state concern. If so found, then it is up to the Governor and Cabinet to make the final determination on designation. If they designate an area of critical state concern and then establish principles for development, the local governments having jurisdiction over the area so designated are given six months to prepare land management regulations which must conform to the state principles. In essence, the state mandates certain principles for land development and the local governments are required to adopt and implement land management programs within these guidelines.

Three areas of critical state concern have been designated in Florida, one of these by special act of the state legislature. Numerous other areas have been studied, and in the instance of one of these an alternative program has been initiated. The major designations are discussed briefly below:

Big Cypress Swamp:

The Big Cypress encompasses over 2,400 square miles (about 1.5 million acres) of southwest Florida. In 1973, the legislature passed the Big Cypress Conservation Act for the purpose of conserving and protecting the natural and economic resources and the scenic beauty of this area located just north of the Everglades National Park.[8] In passing this legislation, the legislature declared that uncontrolled development within the Big Cypress Swamp would have a significant impact on the environmental resources of the region and state.[9] Stephen Fox, chief of the Bureau of Land Management in the Florida Division of State Planning, described the reasons and subsequent actions thusly:

> For years land speculators and farmers had dug canals in the Big Cypress to lower the water table and create more dry land...By 1973, this practice was seriously

affecting the natural systems of the Big Cypress, the coastal estuaries and the Everglades National Park.

In an attempt to protect this irreplaceable regional resource, the State of Florida and the federal government established a six-year program to buy nearly two-thirds of the Big Cypress for $156 million. As a corollary to the purchase program, the Florida Legislature passed the Big Cypress Conservation Act of 1973, designating the entire Big Cypress Swamp as an area of critical state concern in November, 1973.[10]

Protection of the Big Cypress Swamp is an excellent example of a Federal-state partnership in protecting an irreplaceable resource.

Green Swamp:

The Green Swamp was the first of the two critical areas designated under the Environmental Land and Water Management Act. It lies in a critical location between the rapidly growing metropolitan areas of Orlando and Tampa-St. Petersburg. The Green Swamp is an extremely important hydrologic link in the Floridan Aquifer, the underground water supply resource which supplies approximately 70% of all the ground water used in Florida. It is actually an elevated portion of the Aquifer, and as such provides ground water pressure that helps maintain free-flowing springs and rivers, and allows easy withdrawal of ground water in central and south Florida.[11]

Traditionally, most of the land uses in the Green Swamp were agricultural. In 1967, however, construction began on the Walt Disney World complex, less than five miles east of the Green

Swamp. The phenomenal popularity of Disney World set off a land sales and building boom in and around the Green Swamp.[12] Thus, in the face of mounting development pressure, the state moved to protect the hydrolic significance of the Green Swamp to the rapidly urbanizing areas surrounding it.

Florida Keys:

At the request of a local citizens body, the Florida Division of State Planning undertook a study to determine the degree of "criticality" that existed in the Florida Keys. Among other things, their final report pointed out that, "The Florida Keys are now beginning to suffer, at least partially from their own success. Rapid immigration and development over the last decade ...has outstripped the County's financial and administrative ability to provide urban services and protect the beautiful and economically valuable environment of the Keys ... The cost of providing such services to a 130 mile long, linear city are truly staggering.[12]

Rapid development in the Keys was not accompanied with a recognition of the costs of such growth. As the Division of State Planning pointed out:

> In such situations, communities will generally raise taxes assuming that the added growth-produced revenues will allow them to reduce their facilities deficits. They find instead, that the increased costs of growth consume revenues at an even higher rate. Due to greater use rates, maintenance of existing facilities becomes more difficult and facilities deficits increase. The time lags required in facilities construction, especially in an inflationary period, simply aggravates this situation.[13]

The first two critical areas in Florida were designated primarily because of environmental concerns, whereas the designation of the Florida Keys focused on both the public costs of rapid development and the environmental protection of this fragile archipelago. Subsequently, the regulations required to meet both of these concerns were far more comprehensive and complex than those adopted for the preceding critical areas.[14]

Although a number of potential areas of critical state concern have been studied before and since the Keys were designated no further recommendations have been put before the Governor and Cabinet. One factor, although certainly not the only factor, in this apparent slow-down in activity is that the designation of a critical area and adoption of regulations are not the end of the process; the majority of staff work comes after designation by providing the local government with technical assistance.[15] The work load imposed on the small staff of the Bureau of Land Management limited their efforts at studying and proposing many additional areas.

A very significant factor in slowing and perhaps even stopping further designation of critical areas has been the litigation attacking this section of the Environmental Land and Water Management Act. Two appeals from cases decided in 1977 by the First District Court of Appeal have been consolidated and are being considered by the Florida Supreme Court. The first case, Postal Colony Co., Inc. v. Askew, 348 So. 2d 338 (Florida First District Court of Appeal), involved the designation of the Green Swamp. The court held that the designation of the area had expired four days before the development regulations required by the Act were to take effect. It was decided, therefore that the regulations are not controlling and the Governor and Cabinet must go through the entire designation process again. The second case, Cross Key Waterways v. Askew, 351 So. 2nd 1062 (Florida 1st District Court of Appeal 1977), concerned the designation of the Florida Keys as an area of critical state concern. In this instance, the court dealt with the constitutionality issue and held that the Act improperly delegated a power of the legislature by failing to provide adequate standards for the exercise of that power, and thus, the Act violates Article II, Section 3 of the Florida Constitution.[16]

Both cases have been appealed to the Florida Supreme Court where they were consolidated and heard by the Court in January, 1978. A decision is yet to be rendered. The main issue to be considered by the Supreme Court is "whether the Florida Constitution forbids the legislature from delegating such broad authority to the executive branch to manage use of Florida's land and water.[17] The whole future of the critical areas section of the Environmental Land and Water Management Act (and perhaps the future of other Legislative acts, as well) thus awaits the decision of the Florida Supreme Court.

Developments of Regional Impact:

The second major component of the Environmental Land and Water Management Act directs itself at any development which, because of its character, magnitude, or location, would have a substantial effect upon the health, safety or welfare of citizens of more than one county. It allows the state to establish guidelines and standards in deciding whether certain developments are presumed to have regional impact. These guidelines and standards are adopted by rule by the Governor and Cabinet upon recommendation from the Division of State Planning; any changes must be submitted to the legislature for approval.

When a developer intends to undertake a development of regional impact (DRI) within a local jurisdiction with adopted land development regulations (e.g., a zoning ordinance) the developer is required to file an application for development approval (ADA) with the local government within which the proposed development would be located. This initiates the DRI review process.

Copies of developer's ADA must also be submitted to the appropriate regional planning agency and the Division of State Planning for their review and comment. Following a designated period of time, the local government sets a DRI public hearing date at which all interested parties may be heard. The local government may then issue a development order which should approve, approve with conditions, or deny the ADA. Local development orders may be appealed to the Governor and Cabinet by the owner, developer, regional planning agency, or Division of State Planning.

Since the inception of the DRI review process in 1973 and to the end of 1977, the total number of applications for development approval by type have been as follows:[18]

Airports	3
Attractions and recreation facilities	11
Electrical generating facilities and transmission lines	13
Hospitals	1
Industrial parks and industrial plants	5
Mining operations	11
Office parks	11
Petroleum storage facilities	8
Port facilities	9
Residential developments	152
Schools	4
Shopping centers	33

The annual number of DRI applications has decreased rapidly since the peak development period of 1973-74; whereas 143 ADA's were filed in fiscal year 1973-74, only eleven ADA's were submitted in the first half of FY 1977-78.[19] The decrease in the number of ADA's submitted is attributable to the overall decrease in development activity since the peak period of 1973-74, and decisions on the part of many developers to keep their developments just under the DRI "threshold" and thus avoid the costly, time-consuming DRI review process. An example of this latter situation is a recently proposed housing development in Broward County which numbers 2,997 dwelling units, just under the DRI threshold of 3,000 dwelling units for that sized county.

Proponents of the DRI review process point to what they believe has been an improved quality of development, better coordinated developments, and an increased awareness of development impacts on the part of local governments. Opponents of the process, on the other hand, argue that it is time consuming, expensive, and that the ADA requires an "astounding" amount of data and information. This results in the subdivision of projects (i.e., to creep under the DRI threshold), which means that the larger and "assumedly" better coordinated development projects may be a thing of the past.

Proponents of the process are currently given consideration to what changes can be made in the guidelines to contend with what is recognized as a movement to circumvent the DRI thresholds.

Like the critical areas program, the DRI review process has faced litigation in the courts, but virtually all challenges have so far been withstood.

Water Resources Act of 1972

Like the Environmental Land and Water Management Act, the Water Resources Act of 1972 is one of the more significant pieces in the package of bills seen as necessary to adequately contend with the problems of growth in Florida. In general, the Act provides for the preparation of a state water use plan, the permitting of the consumptive uses of water, the regulation of wells, and the management of surface waters. The Act authorizes a broad grant of power to state and state-appointed regional agencies that involves the planning and regulation of virtually all surface and groundwater activities in Florida. Delegation of much of the implementation of the Act is given to the five water management districts authorized by the legislation.[21]

This Act, emphasizing water planning and management, was seen as a partner to the Environmental Land and Water Management Act, which as indicated before has little to do with water. Although coordinated to some degree, the two Acts have never achieved the close interdependence that had been envisioned for them when they were proposed in 1972. As John De Grove so strongly argues:

> Some coordination links do exist, but both at the state and regional level there needs to be a strengthening of this coordination and a clarification of lines of responsibility. This is especially true with regard to the regional level. At this level the regional planning councils both are involved in important aspects of water

planning and management. There remains to be developed a more effective coordinating link between these two regional agencies that will prevent an overlap and duplication of responsibility.[22]

The major problem regarding coordination does appear to reside at the regional level. The regional planning councils and the water management district boards are perhaps best described as friendly adversaries, as opposed to working partners. State Senator Robert Graham strongly feels that a major failing of the 1972 package was:

> ...the decision not to link the Water Management Districts ...with the land use responsibilities in the Environmental Land and Water Management Act of 1972. With that single decision, a schism was created between these two critical aspects in our environment that may be long in bridging.[23]

The schism may indeed be difficult to correct. First of all, the two types of bodies tend to approach issues from different perspectives; the water management boards are creatures of the state, they are appointed by the governor and have their own taxing power, whereas the regional planning councils are made up of representatives of local governments, with little more than advisory authority. A twist of the prism and another refraction is revealed; the basis for water management district planning is to accomplish the conservation, protection, management, and control of the waters of the state; the regional planning councils, on the other hand, see themselves as being responsible for protection of the health, safety, and welfare of the people within their region. These are both noble and necessary purposes, but they are not completely synonymous. For the sake of Florida's future, however, purposeful links must be sought and established between these two regional efforts; much more can be accomplished as working partners than as friendly adversaries.

Growth Policy Resolution

In 1974, the onslaught on uncontrolled growth continued; the Florida legislature, under the leadership of then Representative Kenneth H. MacKay, Jr. passed "A Concurrent Resolution Adopting a Policy on Growth for the State of Florida.[24] It held promise of becoming one of the most outstanding steps ever taken by a state legislature, but it needed to be passed early in the session in order to be used for legislative decision-making. Unfortunately, it was not passed until the final days of the session.

It was assumed that the growth policy would provide an opportunity for improved decision-making in the executive branch, as well as the legislative body. For that matter, it was used as a starting point for the development of the state comprehensive plan, which was submitted to the legislature this year.[25]

Unfortunately, when the legislative leadership changed, so did the desire to utilize the growth policy--the growth policy resolution was shelved. The legislature has made little, if any, reference to the growth policy since it was passed.

Local Government Comprehensive Planning Act

Except for the legislature's reluctance to strengthen regional planning, the final link in the intended intergovernmental effort to manage growth came into being with the passage of the Local Government Comprehensive Planning Act of 1975.[26] This Act makes it mandatory for all local governments in the state to prepare and adopt a comprehensive plan by July 1, 1979. Also, the Act requires local governments to implement the comprehensive plan in part through the adoption and enforcement of land development regulations. The basic intent of the Act is to permit local governments, through the timely use of planning and regulatory powers, to prepare for growth and development within their borders. Passage of the Act was a recognition of the immense growth pressures that Florida local governments have encountered in the past and will likely continue to encounter in the future.

Two major constraints have been placed on the local governments in their attempt to implement the Act. The first has been failure of the legislature to provide state financial assistance to municipalities and counties to aid them in complying with the requirements of the Act. With some help from Federal "701" monies but mostly on their own, virtually all the local governments in the state have been preparing elements of their comprehensive plans.[27] Kenneth H. Mackay, who was a co-sponsor of the Act, expressed his concern on the matter in the following way:

> The ELMS Committee which developed this legislation over a period of several years made a very strong recommendation that was, "If you are not going to fund this legislation, don't pass it." Ironically, in the 1974 session, we funded it with $7 million, but we couldn't get the act passed. In the 1975 session, we passed the Act but couldn't get the money, so here we are now with a major piece of legislation mandating comprehensive planning by every unit of local government in Florida with no implementing money.[28]

The second major constraint has been a lack of sufficient available expertise to assist the local governments in preparing their comprehensive plans. Some of the work is being done by professional planning staff members, some by professional planning consultants, but, on the other hand, much of the work is being done by graduates just out of planning school, inexperienced graduates fresh out of other academic programs, and sometimes by people who used to be employed in some other face of local government. The most critical question, therefore, is not whether the local governments will complete their comprehensive plans by July 1, 1979 (it appears that most will at least have completed their land use element by then), but rather what will be the quality of the plans being prepared?

This, then, raises another issue--how well coordinated with each other will these local comprehensive plans be? Mackay has also had concern over this matter:

> The Local Government Comprehensive Planning Act of 1975 has no coordinating mechanism so what we have done is to mandate planning by 600 and some odd uncoordinated units of local government. There is at least the possibility that we may have done more harm than good because of the lack of any real coordinating mechanism in that legislation.[29]

An intergovernmental element is required in every comprehensive plan, but without a regional planning role written into the Act there is no effective mechanism to ensure coordination. It is too much to expect that the Division of State Planning, which is charged with reviewing these hundreds of plans and their multitude of elements, will be able to ensure that coordination is being achieved without calling upon assistance from the regional planning agencies. Yet, the regional planning agencies have no authority nor any financial assistance to aid in the review of local plans.

Local Actions

Local governments are, of course, the units which most directly face the problems of unguided and uncontrolled growth. A few of these local governments, at first acting independently and later taking advantage of state government initiative, have themselves enacted innovative land management programs. Perhaps one of the greatest by-products of the state's relatively aggressive attitude regarding growth management are the spin-off actions being taken by a number of local governments.

Early among the local actions was the resolution passed by the City of Boca Raton in 1972 which revised the Charter of the City by limiting the total number of dwelling units within the existing boundaries of the City to 40,000. In effect, this was setting a population cap for the City, and as such was later ruled to violate constitutional guarantees of due process and equal protection.[30]

Other local governments have chosen to assume their responsibilities in land management in a variety of different ways. Among these have been the institution of a mini development of regional impact review process by Dade County (the Miami area) and a land use plan by Broward County (the Ft. Lauderdale area) which is binding upon all municipalities within the county.

The Broward County Charter, utilizing the broad home rule powers authorized under Florida law, incorporates an article entitled "Land Use Planning." After adoption by the County Commission, the plan becomes binding upon all governmental units in the County. The municipalities then have one year in which to ensure that their municipal zoning ordinances comply with the permitted uses and densities specified in the County's Land Use Plan. The current Plan has three major elements which pertain to growth management:

- It places limits on population size through density restrictions.
- It provides for phasing the time-frame in which future development may occur.
- It provides an opportunity for reserving sites for future anticipated uses.

"Heralded as 'the first comprehensive effort to control Broward's phenomenal growth rate,'* the new Broward County (Florida) Land Use Plan demonstrates that a traditionally unobtrusive county government can assert land use guidance over previously unchecked urban development."[31] Stronger county governments may, in fact, be the missing link in the establishment of effective state-local government efforts in growth management. Regional planning councils have not been allowed to become strong coordinating forces, perhaps strong county governments may step into this breach. Broward County's efforts in this direction should be closely observed.

IV

Called by the lure of warmth, sunshine, windy beaches, and pristine lakes millions of tourists descend upon Florida every year. Hundreds of thousands of these people, especially those in their golden years, return to make the Peninsula State their place of residence. Those that come just to visit contribute significantly to the economy of the state, however, those that come to reside have been creating major problems by congregating in those parts of the state least tolerant of development.

No state, however, can close itself off from in-migration. So, with continued in-migration as a given, the State of Florida and its local governments have taken numerous actions to better manage the rapid growth that has been occurring. This report has covered only the more innovative actions, there were numerous other important steps taken which added important ingredients to the growth management effort which have not been referred to in this report.

Florida's growth management package is broadly based, but even more importantly it is an intergovernmental effort, a sharing of responsibilities between the state government and the local governments. No single level of government is capable of contending with the degree and concentration of growth that Florida is experiencing. Another overriding principle in Florida's growth management effort is that, except where the state has found it necessary to set guidelines and standards, most of the legislation continues to place a heavy dependence on the role of local government.

The growth management programs have been relatively successful in achieving their intent, but for the most part they have been remedial and as with any massive undertaking there are still numerous gaps, programs which are undersupported, unforeseen problems which have surfaced, and innumerable questions which are still unanswered. Among the unanswered questions are: How can the critical areas program be more effectively used to allay as opposed to mitigate problems of growth? How can the development of regional impact review process be kept from becoming so cumbersome that it becomes counter-productive. What mechanisms or techniques can be employed to improve coordination between water management districts and regional planning councils? How can regional planning councils be strengthened without disrupting the existing framework of local government? How can quality planning be better achieved by local governments? These questions and many others need to be addressed and resolved before Florida can be considered to have a really effective growth management program.

Irregardless of the problems referred to in this paper, by today's standards of measurement Florida's effort to manage growth has been substantial. Florida really had little choice, it had to react to the pressures and problems of inflowing population or allow itself to self-destruct. But as the twin forces of mobility and migration may make changes upon the life-style of this nation, Florida's growth management programs of the 1970's will pale in comparison to the actions that most states may find themselves required to take within the next ten to fifteen years.

The impact of increased mobility and its long-time partner migration, is already being felt in Florida and in similar growth states. This relationship between mobility and migration is becoming increasingly more symbiotic. Soon this relationship may be affecting the entire nation. Using the growing popularity of recreation vehicles as a simple yardstick, it does not take much imagination to recognize that in the coming years a growing portion of our population may become permanently nomadic, shifting locations with the seasons or at whim. The beginnings of this nomadism are already much in evidence among the retirees who "reside" in Florida. Many young people also seem to be using vans and recreation vehicles in similar ways.

As housing costs increase and possibly even in spite of any future energy crisis the popularity of the "recreational" vehicle as a place of "residence" is likely to increase, perhaps dramatically. The day of the "Conestoga wagon" may be returning.

If we become a nation with a fluid and continually shifting population, then the innovative growth management programs of the 1970's that have been employed by states such as Florida, California, Hawaii, and Oregon will become obsolete. These programs are designed primarily for fixed populations. Local governments are likely to find it extremely difficult to contend with problems of shifting populations; state governments may find it no easier.

If this prognostication becomes reality the problem then will truly be a national problem, not the type of growth management problem that can be effectively handled by any state. The evidence of our becoming an even more mobile and, hence, migratory nation are all around us. This potential issue is deserving of early attention on the part of the Federal government. This attention could take the forms of analysis of the status of mobility, studies to determine the degree of change in mobility and the likely impacts of these changes, and then, if warranted, consideration of state and national programs that could adequately contend with the anticipated impacts.

LIST OF FOOTNOTES

1. 1977 estimate obtained from the Bureau of Tourism Research, Florida Department of Commerce.

2. Luther J. Carter. The Florida Experience: Land and Water Policy in a Growth State (Johns Hopkins University Press, 1974), p. 15. See also pgs. 15-24.

3. House Government Operations Committee.

4. Governor's Conference on Water Management in South Florida. "A Statement to Reubin O'D. Askew, Governor, State of Florida," Miami Beach, September 1971. (Publisher unidentified.)

5. William W. Dreyfoos. "Broward County's Land Use Plan: The Quiet Resolution Comes to South Florida," Florida Environmental and Urban Issues, Vol. V, No. 4, April 1978, pgs. 1-2.

6. Kenneth H. Mackay, Jr. "Florida's Land Use Restrictions: Are They Serving the Public Interest?--Asking the Hard Questions," Florida Environmental and Urban Issues, Vol. III, No. 3, February 1976, pgs. 1-2.

7. Chapter 380, Florida Statutes.

8. Chapter 73-131, Laws of Florida.

9. Department of Administration, Division of State Planning. Final Report and Recommendations for the Big Cypress Area of Critical State Concern, Tallahassee, October 1973.

10. Stephen Fox. "Florida's Areas of Critical State Concern: An Update," Florida Environmental and Urban Issues, Vol. V, No. 4, p. 7.

11. Department of Administration, Division of State Planning. Final Report and Recommendations for the Big Cypress Area of Critical State Concern, Tallahassee, June 1974.

12. ________. Final Report and Recommendations for the Proposed Florida Keys Area of Critical State Concern, Tallahassee, December 1974, p. 2.

13. Ibid., p. 37.

14. Stephen Fox. Op. cit., p. 8.

15. Ibid.

16. American Institute of Planners, Florida Chapter/Florida State University, Department of Urban and Regional Planning. "Challenge to Chapter 380," Legislative Reporting Service, Vol. VI, No. 5, p. 3.

17. Kenneth Vinson. "Constitutional Challenge to Florida's Environmental Land and Water Management Act," Preview: Florida Supreme Court, Issue No. 1, January 1978.

18. Department of Administration, Division of State Planning. Draft of FY 1977-78 summary report on the development of regional impact review process; to be published.

19. Ibid.

20. Chapter 373, Florida Statutes.

21. John M. DeGrove. "Administrative Systems for Water Management in Florida," FAU-FIU Joint Center for Environmental and Urban Problems, April 1978, p. 6.

22. Ibid., p. 36.

23. Robert Graham. "Florida's Land Use Restrictions: Are They Serving the Public Interest?--The 'Metro' Syndrome," Florida Environmental and Urban Issues, Vol. III, No. 3, February 1976, p. 3.

24. Committee Substitute for HCR 2800, filed June 1974.

25. The State Comprehensive Plan prepared by the Division of State Planning was submitted to the 1978 legislature, but no final action was taken.

26. Chapter 163.3161, Florida Statutes.

27. In addition to five general requirements, a local comprehensive plan must consist of eight or nine (if in the coastal zone) mandatory elements. It may also include eleven other stated optional elements or such other elements as may be necessary for the area concerned.

28. Kenneth H. Mackay, Jr. Op. cit., p. 2.

29. Ibid.

30. Keating-Meredith Properties v. City of Boca Raton, et al., Circuit Court of the 15th Judicial Circuit, October 1976.

31. William W. Dreyfoos. Op. cit., Miami Herald, November 6, 1977.

32. Kenneth H. Mackay, Jr. Op. cit.

HARVARD UNIVERSITY
Center for Population Studies

William Alonso
Saltonstall Professor of Population Policy

9 Bow Street
Cambridge, Massachusetts 02138
(617) 495-3002

June 7, 1978

Testimony, Select Committee on Population,
U.S. House of Representatives

William Alonso
Saltonstall Professor of
Population Policy
Harvard University

The general directions of geographic growth and decline of population in this country are fairly clear, and have already attracted considerable attention in the press. These are:

(1) The growth of the Sunbelt, especially in its metropolitan areas. This pattern has existed throughout this century, but has recently accelerated. It consists of two principal waves. One is the continued filling in of the continent, particularly visible in the Mountain and Pacific states, characterized primarily by interregional migration. The other is the South's returning to national parity, a century after the Civil War, which is characterized by rapid urbanization and the end of massive outmigrations.

(2) Unheard of in modern times, there is now a net migration from metropolitan to non-metropolitan areas. This flow is running at about 600,000 people per year. Much of this is the spilling over metropolitan boundaries of urban residences and economic activities, but strong additional factors are the increasing tendency of manufacturing to locate in small

cities and rural areas, the rise of the recreation industry, the surge of mining and resource-related investment and activity, the rising number of older people entitled to Social Security and other pensions, and to a small degree the growth of state governments and universities. A return to the land, in the sense of farming, is definitely not taking place: the farm population is still declining rapidly.

(3) Suburbanization continues in metropolitan areas, but it has become more complex. The suburbanization of minorities is accelerating, although it starts from a very low base. Also, as noted some is spilling beyond the boundaries of Standard Metropolitan Statistical Areas.

(4) In many metropolitan areas there appears to be an influx into the central cities of young, middle-class, white, childless people.

(5) Natural increase has dropped so much that the majority of residents in metropolitan areas now live in areas which are now losing population. Several states in the Northeast are losing population.

(6) International migration, both legal and illegal, is now comparable in magnitude to natural increase but, on the basis of the fragmentary information available, it is far more concentrated geographically.

Compare this with the situation a decade ago, when the policy concern was to prevent the depopulation of non-metropolitan areas and the concentration of people in "human anthills."

It was often said that by the year 2000 there would be 100 million more Americans, and it was asked "Where shall they live?"

The stunning decline in fertility and its consequences have not yet sunk into our understanding. Natural increase is very nearly zero in dozens of metropolitan areas, and a few have slipped below. This, in combination with migration patterns, guarantees that local population stability or decline will be a commonplace experience. Yet we have not begun to think through what this means for housing markets, school systems, federal funding formulae, labor markets, land use policy, health policy, and so forth.

Further, there has not been any serious thought given to the interaction of population composition and growth. This is in large measure because the standard focus of analysis in urban and regional development has been based on jobs and industries. This approach has paid insufficient attention to the interactions among the growth of the service sector, the labor force participation of women, the fall in the birth rate, the formation and dissolution of households and families, and the social and economic behavior and needs of people.

Consider, for instance, the demographic multiplier resulting from the fact that most migrants are young, as are most people having babies. This means that areas of outmigration will have comparatively low rates of natural increase, and areas of inmigration high ones. Or, consider that households in which both husband and wife work tend to move less often from one region to another, but move more frequently within an urban area. Or, consider that those social and economic factors which have dropped the birth rate have simultaneously produced a faster growth rate of households, so that even areas of population decline have experienced increased housing demand.

Developments such as these are important, but they often go unperceived or are seen as statistical curiosities. Seldom are they linked with their social, economic, political, and environmental correlates, and so public debate and policy formulation proceed simplistically. The rhetoric of growth is a rich one, ranging from the babbitry of boosterism to the exclusionary self-righteousness of growth control. Neither the public nor experts in or out of government have information clean and strong enough to brush away such stereotypes. And so debates and legislation focus on abstract issues of growth, stability, or decline, picking white hats or black according to rhetoric.

In reality growth, stability, or decline in population are neither good nor bad of themselves. What matters is what their particular forms do to particular people and institutions, and these vary a great deal according to local circumstance. Stereotypes lead to misleading generalizations, and result in wasteful and often cruel policies.

'Let me illustrate this.

In recent years there has been a great deal of well-intentioned action against the banking practice of "red lining." It has been reasoned that this practice withholds from poor and minority people in central cities the capital needed to maintain and improve their housing. At the same time, the baby-boom generation is coming to home-buying age, and an increasing proportion of these young people live in households without children (or with very young ones), where every adult works. For a variety of reasons, central city housing suits their needs, and the school situation does not concern them personally. The changes in banking laws not only forbid red-lining, but insure that account be taken of the earnings of all members of the household, regardless of their sex or marital status. Meanwhile, many of the poor live in rental units which have become a very poor investment for their landlords. The landlords are therefore delighted to sell out to these middle class newcomers, and the group which was to benefit from the policy is being displaced.

There are many other complications and matters for local and federal policy in this issue; for instance, abandonment, the overconsumption of the housing stock by the growing number of "empty nesters", and the unavailability of land for new construction in central cities and suburbs. But the point is that a well intended reform formulated in ignorance of the demographic forces at play has resulted in some very negative outcomes.

Many other examples might be cited. These would include the effects of rising costs of gasoline in rural areas of declining density and increasing proportion of aged people; the fiscal and social traumas of resource-based boom-bust towns in Appalachia and the Plain States; the design of federal formulae for grants; the share of jobs in newly growing localities that go to newcomers rather than to its original inhabitants; the choice of programs in areas of high unemployment which may subsidize capital investment, wages, or help people from the area find jobs elsewhere; strategies for orderly, fair and efficient retrenchment in investment and personnel in such areas as schools and health facilities.

Clearly, there is not the time today to go into detail on such issues; and further, my point is in part that we do not know enough about them, so that even if I had the time I would not have many answers.

Let me then use my remaining time to remark on two issues: the status of research and knowledge in this area and the particular moment in the design of federal legislation and policy.

I will address first the matter of the needed information and research. I have not done a systematic study of the situation, so that I can only give an opinion; but I have been involved in it for over twenty years, so that I think it is an informed opinion.

The first thing to stress is that geographic knowledge needs more detail and therefore is more costly than aggregate national data. This is because any national sample, when it is broken down into local observations, results in very few observations per locality. For instance, a very large sample, as is often conducted by the Census, may have 50,000 households for the country. There are about 3,000 counties, so that there are about 17 households per county. If we want information about some group which amounts to about 20% of the population, such as blacks or older people, there would only be about three interviews, on average, per county. Obviously a sample of 3 is extremely unreliable.

For this and other reasons, it is a simple fact that information with geographic detail, and its analysis, will cost more to gather and take more work to analyze. Sharper pictures need better cameras and better films.

I will not discuss here the state and local capacity to generate, interpret,and use data. It is mostly very weak. I will focus on what I know of the federal situation.

Several agencies are involved in data production and analysis of what may be called human geography. The Department of Commerce, through the Bureau of the Census, the Bureau of

Economic Analysis, and the Economic Development Administration is probably the main contributor. The Departments of Agriculture and Labor provide valuable data and insights on certain questions, as does the Department of Health, Education, and Welfare. The Department of Housing and Urban Development has not contributed very much, although in the past few years it has tried to do so in preparation for the biannual Presidential messages on urban growth. Neither the Council of Economic Advisors nor the Office of Management and Budget have contributed significantly. On the whole, then, federal agencies have not provided either the leadership nor the substance of a sustained and inquiring look at the geography of population in this country.

Let us look now at the federal support for outside research in these questions. Most of the agencies just mentioned have not had programs to encourage, develop, and sustain the sort of work that is needed. The Economic Development Administration has probably been the most far sighted in supporting sustained investigation, but uncertainty as to levels of funding and administrative policy in recent years have been detrimental. Probably the largest current funding is within the National Institutes of Health, under the Center for Metropolitan Studies and the Institute for Child Health and Human Development, but their situation under the rubric of health makes their priorities and procedures seem idiosyncratic at times.

The yearly budget for demography and geography and regional science at the National Science Foundation would, if put to that use, pay for the construction of a fraction of a mile of highway. NSF-RANN has had more money, but the pressure for quick results has pushed it into pursuits which seem at once too narrow and too ambitious.

In summary, neither in its internal operations nor in its support of outside work has the federal government provided for comprehensive and sustained work in the structure and dynamics of the geography of population. Such information is needed on a regular basis to design and carry out public policy intelligently. Not having it means that we proceed in costly ignorance. We need more effort and investment in timely production of data, its analysis and interpretation, and its dissemination to the public and to government agencies and elected officials.

Finally I turn to the current situation concerning the design of federal policy and procedures. The timing seems just right for getting something done.

Issues having to do with the geography of growth and decline have come to the fore. These include the decline of the cities, Sunbelt-Snowbelt and the new regionalism, environmental protection and economic development, the geographic impact of energy policy, the impact and fairness of federal collections and disbursements, the plights of farmers, and many others.

Almost everyone is interested, many issues have been joined, and much of our common fate will depend on how we go about resolving them.

At the same time, President Carter has attempted to formulate an urban policy. Among its proposals are the following: that each agency submit an "urban and community impact analysis" for its major programs, that an improved data and information system be developed under the leadership of the Secretary of Commerce, and the formation of an Interagency Coordinating Council.

Meanwhile, the reorganization project staff within OMB is working on proposals to streamline and realign federal agencies and programs dealing with local, urban, and regional matters. Their report is due fairly shortly and, whatever its merits, it is bound to provoke considerable rethinking of the modes and structures of federal programs dealing with subnational units.

Therefore, there is at this time a heightened national interest in issues of the geography of growth and decline, and there is the prospect of initiatives from the Executive for the reorganization of programs and procedures which relate to this.

I think that the legislative branch should be prepared to participate actively in this process. This seems to me evident because Congress is the only branch of the federal government which is organized along geographic lines: each senator and house member represents a geographically defined constituency. When the federal government gears up for a closer look at what is happening to people in various places, and at the local impact of federal programs and policies, it seems self-evident that Congress, being constituted of the representatives of these units, should be involved.

I do not know enough about the workings of the federal government to make any detailed and confident proposals for legislation to this Committee, but I can make two general recommendations:

(1) We need more federal investment in data and policy-oriented analysis at the local, state, and regional levels, and the product of this investment must be made more accessible to Congress and its staff, as well as to federal agencies and state and local governments.

(2) If a mechanism is devised to report on the estimated local and regional impact of federal actions (taxes, laws, regulations, disbursements), Congress, which is the branch organized according to local representation, should be an active recipient and evaluation of these reports. It should also take an interest in the coming months in how this mechanism is designed.

Biographic Note

WILLIAM ALONSO, Saltonstall Professor of Population Policy, Director of the Center for Population Studies, Harvard University. Previously Professor of Regional Planning, University of California, Berkeley (1967-76); Assistant and Associate Professor of Regional Planning, Harvard University (1959-67). Author of Location and Land Use (Harvard University Press, 1964), and many articles and reports; editor (with H. Friedmann) of Regional Development and Planning (MIT Press, 1964) and Regional Policy (MIT Press, 1974). Consultancies with U.S., state, and local governments; national governments of Australia, Cuba, France, Japan; international bodies (World Bank, U.N., U.N.I.D.O.); private corporations and foundations.

POPULATION CHANGE AND FEDERAL POLICY:
Implications for Statistics, Research, and Policy Analysis

Statement of Robert Parke*

to

Select Committee on Population
U.S. House of Representatives

Hearings on "Domestic Consequences of
United States Population Change"
June 8, 1978

Mr. Chairman:

I. Summary

I have three things to say to this Committee. The first is that demographic analysis has a far more substantial contribution to make to the analysis of public questions than the government recognizes. It is supposed that, while demography can tell us about population growth, it has little to offer to the analysis of, say, unemployment or the costs of higher education. I will illustrate the contributions of demographic analysis to the understanding of problems in both these areas. I conclude by recommending that our major bodies having responsibility for policy analysis recognize demographic analysis as part of the standard repertoire of analytical strategies to be employed by them. Accordingly, I recommend that these bodies employ individuals with strong demographic training, or retain them on a regular basis as consultants, or devise other means for bringing a demographic perspective to bear on the analysis of major questions. I also have a few suggestions regarding our official demographic projections.

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*Robert Parke is Director of the Social Science Research Council's Center for Coordination of Research on Social Indicators in Washington, D.C. From 1970 to 1972, he was Deputy Director of the U.S. Commission on Population Growth and the American Future. Before that he was a demographer at the Census Bureau. He has taught sociology at Brown University and Muhlenberg College. He is Chairman of the Social Statistics Section of the American Statistical Association and has recently completed two years as Chairman of the Joint Ad Hoc Committee on Government Statistics, an activity of nine professional associations interested in federal statistics. He is Chairman of the Committee on Government Statistics of the American Sociological Association and is a member of the Committee on Population Statistics of the Population Association of America. The following comments are his own and imply nothing about the views of his employer or the other organizations in which he is active.

My second point is that we need to make sure that our statistics and our research efforts do an adequate job measuring demographic changes and their consequences. It encompasses two points:

(1) Our government's policies regarding research and statistics do not adequately recognize that the measurement of change is an exacting discipline which must be taken seriously by official agencies if we are to have the measures of change that we need.

(2) Our government, which produces some of the best statistics in the world on the status of individuals, has hardly begun to produce statistics on the changes in status that individuals experience and the factors associated with these changes. Such statistics are essential for the analysis of policy questions in a wide variety of areas.

I conclude this part of the discussion by recommending support of a strong coordinating unit for the many statistical programs of the federal government, establishment of periodic research conferences on selected topics in population change and its consequences, and funding some research on a more long-term basis than is now done.

My final point is more narrowly focused on the subject of population. We need to make judgments whether we are likely, as a nation, to experience continuing natural decrease. We need to decide whether a prospect of natural decrease and ultimate negative population growth is, on balance, a good or a bad thing. If we decide that it is a bad thing, we need to explore in a scientific way various means of stimulating population growth. Because some of the explorations involve research over a substantial period of time, I recommend that research be initiated soon in order to insure that the findings will be available if we need them.

II. Demographic Questions and Policy Analysis

I want to illustrate the impact of population change, and the importance of demographic analysis, in two policy areas in which the federal government takes a strong interest: unemployment and the costs of higher education.

The Age Structure, Unemployment, and Inflation

Richard Easterlin and Michael Wachter have recently developed a theory of demographic influences on economic trends in this country in the period since World War II.[1] As I understand their thesis--and I am not an economist--it is that, with immigration under control, and with the federal government assuming responsibility for sustaining aggregate demand since 1946, long swings in employment and unemployment have been driven by labor supply, that is, by changes in the age structure. When young workers became plentiful, as in the period since 1960 when the children of the baby boom started coming of age, their unemployment rate rose; moreover as the difficulties facing young men increased, young women moved into the labor market at an increasing rate and married and had children less than they had done in the postwar period. It is the thesis of Easterlin and Wachter, as I understand it, that the conventional means by which the government seeks to sustain aggregate demand--fiscal and monetary policy--have been incapable of coping with the compositional sources of the problem, that is, the changing size of cohorts entering the labor market, and that efforts to cope in the usual fashion have not lowered unemployment, but have simply fueled inflation. This explanation would help to account for the concurrence of high unemployment with continuing inflation that has puzzled economists for several years.

Now it is not news to economists that a major reason for recent high levels of unemployment is the huge influx of inexperienced workers into the labor market as a result of the coming of age of the baby boom. Richard Freeman has spelled out for you the consequences of this development for the relative income of young workers, especially of young college graduates.[2]

There are, however, features of the Easterlin-Wachter analysis that, so far as I know, are new. One is their use of the experience of young men to account for the otherwise peculiar labor force behavior of young women. In their view, after World War II, young women entered the labor market at a much slower rate than the increase in job opportunities would have permitted. The slack was taken up by older women, who entered the labor market at a far more rapid rate than did young women. In recent years, by contrast, young women have entered the labor market at a very high rate, despite the fact that their job prospects were less favorable than after the war. This has happened, according to Easterlin and Wachter, in response to the relative disadvantage now experienced by young men, whose prospects, diminished in consequence of their numbers, have made marriage and childbearing less attractive alternatives for women than they were in the earlier period. Once again, older women have adjusted, this time by slower rates of labor force entry.

Note that there is an implied forecast in this analysis. Indeed, Easterlin has made that forecast explicit:[3] In the 1980's, with young people scarce, the prospects of young men will improve and the situation will again reverse, with regard to marriage, childbearing, and the employment of both younger and older women.

If this analysis withstands scrutiny--and Easterlin and Wachter would be the first to insist that it be scrutinized--then it seems to me to alter appreciably our understanding of the role of population change in the economy. It offers an explanation of what we have been through, and a forecast of at least a temporary reversal of the current situation.

Childspacing and College Costs

My second illustration is drawn from the current debate over whether and how to provide tuition relief to families with children of college age. I emphasize that my purpose is not to argue the merits of such proposals, which rest in part on political and value judgments that have no place in this discussion. My purpose is solely to show how population changes alter social outcomes and how our analysis of a problem is changed when the demography of the problem is taken into account.

Last month the Congressional Budget Office released a report on federal assistance for postsecondary education, which included statistics on college costs over the period 1967 to 1976. The report said:

> "...although the costs of college have risen faster than the cost of living, family incomes have continued to rise even faster. Student costs actually have declined slightly as a proportion of family income."[4]

I have no reason to challenge the CBO's statistics or, if the question is cost per student, the conclusion they drew from the data.

But we may reasonably ask not only about cost per student, but also about cost per family. If the number of college-age children per family has changed, then cost per family may have increased even though cost per student has declined. Demographic analysis shows that this, in fact, is what has happened.

Families with two or more children of college age are much commoner now than they were a few years ago. Analyzing data for Michigan, David Goldberg and Albert Anderson of the University of Michigan's Population Studies Center developed measures of what they call "the college age sib squeeze."[5] They show that in 1967, 37 percent of the children of an age to enter college had a brother or sister one or two years older.[6] By 1976 this figure had risen to 48 percent. If we take a slightly longer view, the change is even more striking. In 1964 to 1966, only about one-fourth of the children of an age to enter college had a brother or sister one or two years older. Now, and for the next couple of years, half of such children will have a brother or sister one or two years older. That means a lot more families coping with two tuitions over extended periods. The average years of double payment rose from 1.8 in 1965 to 2.2 in 1967 to 2.8 in 1976.[7] This shift is sufficient to convert the declines in relative cost per student of college age to an increase in cost per family with children of college age. Goldberg argues that this shift, and the consequent problems for families in financing their children's college education, were largely responsible for the decline in enrollment rates observed in the early 1970's.

What we are looking at here are some under-appreciated features of the baby boom. That surge of births reflected, in part, an increase in lifetime childbearing, through reductions in childlessness and one-child families and increases in the proportion of families with two, three, or four children. But mostly the baby boom reflected a dramatic change in the timing of births over the parents' lifetime.[8] People married younger and had their babies a lot sooner than formerly. Intervals between children were reduced, and the compression of childbearing into the early years of marriage produced families in which the children were closely bunched.

The result is the "college age sib squeeze," a phenomenon that is bound to be national, as the baby boom was a national phenomenon, even though the only measures we have of the "squeeze" are for the State of Michigan.[9] It is a phenomenon that will pass as the cohorts born in the baby boom age. According to Goldberg and Anderson, the squeeze will start to taper off after 1980, but not until six or seven years from now will it fall below the level of 1967.[10]

Recommendations

These examples suggest to me the importance of raising demographic questions in our policy analyses. I do not think it is too much to suggest that the Council of Economic Advisors, the Congressional Budget Office, and our other principal bodies responsible for policy analysis, ensure that such questions are routinely raised by persons with strong training in demography. Such people might be on the staff, they might be regular consultants, or some other provision might be made; this country has several excellent university centers of demography whose resources could be tapped.

The efforts of the policy analyst would, it seems to me, be made more productive if our official statistical agencies would prepare projections that are less mechanical, more clearly grounded in current theory of demographic change, and more reflective of demographic realities. One thing we know: whatever direction the birthrate takes, it is going to bounce around. Despite the demographic record of the past 40 years, the Census Bureau does not publish projections based on a birthrate that bounces around; their birthrates always flatten out.[11]

III. Measuring Population Changes and Their Consequences

Ultimately policy analysis rests on basic research and statistics. Therefore, if we are concerned with the adequacy of analysis in support of policy development, we must also be concerned with the underlying research and statistics. We need to formulate the changes we want to measure, and we need to take seriously the business of measuring them.

What changes should we measure? High on my list would be tracing the educational, work, and family careers of the cohorts of the baby boom and the cohorts that preceded and will follow them. In the past ten years, the largest birth cohorts in U.S. history have been finishing school and entering the labor market. This has occurred at a time of extraordinary demands from women of all ages for jobs and careers, and rising demands from minorities for the same things. And all this has happened at a time of unusually slow economic growth -- at times a recession. We will not understand the implications of these developments for young people, for women, or for minorities, until we ask and answer the following questions: What has happened over the past ten or twenty years to the match between qualifications and entering job levels? What has happened to the pace of advance from entering level to journeyman level? What has happened to the aspirations and expectations of new workers as they compare their experience with that of their colleagues ten years older? What has happened to their sense of their own future and their commitment to the system?

Taking Measurement Seriously

The hearings of this committee have yielded many suggestions of this sort. But let's take this one and see what it involves. We want to find out, among other things, what sorts of beginning jobs young high school graduates and Ph.D's were able to get, and how the relationship between qualifications and entering job level has changed. To do this we need information on occupations that is consistent over time. But the Census Bureau periodically changes the occupation categories: new technologies and new occupations are being created all the time, so the Bureau must update its data. To describe the society as it is, we need a current set of occupation categories. But to measure change we have to keep the measure consistent; otherwise we won't know whether changes in our numbers are the result of changes in our measures. We need to apply the same measure we used before. In a word, whenever we change measures, we need to have our data on two bases: the new categories and the old; we need to calibrate the old measure on its replacement. This is done in part, and for some subjects, but it ought to be done consistently and in detail not now available.[12]

One of the chief vehicles for measuring the work experience of cohorts is the National Longitudinal Surveys of Labor Market Experience (NLS), a basic research effort initiated a dozen years ago under the auspices of the Labor Department's Employment and Training Administration. It is a fine set of surveys and has produced many findings of value, which were the subject last fall of a conference sponsored by the Social Science Research Council.[13] The Labor Department is to be commended for its decision to continue these surveys, but it is to be faulted for design decisions that have produced a curious gap in the surveys and thereby limited their usefulness for answering the questions raised above. The original cohorts will continue to be observed, and surveys will start on people 14 to 21 years old this year. However, the original cohorts are now 26 years old or older, and that means that the surveys omit people 22 to 25 years old. Does it matter? People now 22 to 25 were born from 1953 to 1956, the years when births in this country first exceeded four million annually, and may be thought of as the leading edge of the baby boom. We ought to be finding out how that fact affects the course of their lives, and how their experience differs from the experience of those who came earlier and later.

In neither our research nor our statistics have we taken seriously what it means to study change. We need consistent definitions and procedures, consistently applied. We need calibration of new measures on old. And, to relate changes detected in one source to changes observed in another, we need far more consistency between surveys than we have.

Data on Transitions

I have been talking about the kinds of methods that must be employed if we are to have the measures of change that we need. I turn now to change as the substance of our inquiries -- to the need for data on the changes individuals undergo.

Our statistical system relies on survey designs that produce the world's best statistics on the state of the population -- its enrollment, level of education, labor force status, poverty status, and the like. The system is not, however, producing data on how many people undergo changes in these states and on the differential impact of these changes. I recently attended a conference convened by the Census Bureau on statistics about women. One of the chief themes running through the comments at that conference was the need for data on the transitions people undergo from enrolled to dropout, from employed to unemployed to not in the labor force, from nonpoor to poor, from married to divorced, and the like. Isabel Sawhill, for example, remarked at that conference that the rising rate of divorce, by breaking family relationships through which income is distributed, is one of the prime factors throwing women into poverty--another example of demographic changes confounding public policy. We do a very poor job measuring divorces, and next to nothing about measuring the transitions associated with divorce.

What we get from most of our surveys is a series of cross-sectional estimates of the numbers of people in various statuses. But when we turn to the subject of change what we get, with a few exceptions such as the NLS, is net change, measured very roughly by comparing cross-sectional estimates. We get very little on transitions.

We don't put up with this in our basic population figures. We insist on the components of change, that is, how many people were born, how many died, and how many migrated. Why? Because it makes an enormous difference how change occurs. The numbers of people involved in these processes have at least as much meaning for us as the size of the net change. This is no less true of employment, marital status, household membership, poverty, and other matters. We need data on transitions between these states, and if our current statistical designs won't produce them, new designs will be necessary. However, our present designs are up to the task; they just have not been used for this purpose. We know how to conduct followup surveys of divorce records. We can learn to get transition data from our major surveys if we use them in a truly longitudinal fashion. For example, the Annual Housing Survey now returns annually to the same housing units. That gives us longitudinal data on housing units but not on all of the people who live in them. Those who get married or divorced, or get a job, or have another child are awfully likely to have left by the time we return. It is essential to follow them, and experience with such followups shows that it can be done with great success.

Recommendations

We are talking about demographic changes and their consequences, and what steps should be taken to do a better job measuring both. I have tried to suggest with a few examples what is required to measure change -- looking at the measurement of change as a disciplined method, and at change as substance -- the need for data on transitions.

As to what should be done, I am reasonably clear with regard to statistics.[14] What we need in statistics is a mechanism with the manpower, knowledge, and authority to coordinate the work of the 100 federal departments and agencies producing statistics. We have, in the Department of Commerce, the Office of Federal Statistical Policy Standards. However, OFSPS continues to be severely limited in staff and is limited, by its departmental location, in its authority over most of the government's statistical activities. There is, fortunately, a unit of the President's Reorganization Project concerned with the statistical system. The head of that unit is acutely aware that, as with population, most of the emerging policy problems requiring statistics cross policy areas.[15] He sees his problem as designing an institution within the government that will provide "a place to stand" for those who see the need for connecting disparate statistical activities, so that the statistical resources of government may be brought to bear on policy questions that transcend the interests of individual departments. He deserves your support

I find it more difficult to come up with a prescription for research. The research relevant to the interests of this committee is conducted by thousands of scholars in hundreds of organizations in and out of government. It is highly varied, and that is as it should be. If "coordinating" this work were to mean adding a layer of official review, we would be far better off with no attempt at coordination whatever. The forms clearance process that researchers already have to go through provides serious impediments which ought to be reduced, not added to.[16]

One of the best ways to bring about research coordination is to get the principals talking to one another. In this case, researchers working on the topics that are tied together by an interest in demographic changes and their consequences might be convened in periodic conferences, much in the manner of the periodic Conferences on Income and Wealth sponsored by the National Bureau of Economic Research, the proceedings of which are closely read by the profession. Some of the needed exchange already takes place at the annual meetings of demographers, economists, and others. With important and, I believe, increasing exceptions, however, these discussions take place between people in the same discipline. We need labor economists, demographers, students of education, students of social and geographical mobility, and others talking to one another and finding reason, in the commonness of problems, to coordinate their work with one another. Such meetings ought to be planned on an assumption of repetition. Moreover the topics and participants would need to be carefully selected. Perhaps the Center for Population Research in NIH would take the initiative. If not, there are many organizations engaged in social science research that would be appropriate.

We are dealing with long-term demographic, social, and economic processes that need long-term measurement and analysis if they are to be understood. Some important part of that research will get done only if there is a long-term commitment of funds to it, by contrast with the short terms provided by current granting and contracting policy. Provisions for periodic review provide ample protection of the government's interest; commitments can be withdrawn for nonperformance. I believe the government's interest in understanding the consequences of demographic change, as well as its interest in prudent expenditure of funds, would be well served by an increased emphasis on long-term funding subject to review.

IV. Researching Policy Options

The policy that is served by the research, statistics, and analysis discussed thus far is mostly policy of an "adaptational" rather than an "interventionist" sort. This is a very useful contribution. We need weather reports, not in order to change the weather, but in order to adapt our conduct to the weather that is expected. We can do nothing about the size of the baby boom cohorts, but we can examine the impacts of that size and examine ways to soften the impact. We can do research to validate theories of population change that imply forecasts in order to support or discredit the forecasts, and then tailor our conduct so as to forestall or modify the consequences of the expected trends.

There is an additional kind of research that contributes directly to decisions whether or not to intervene and, if so, how to do it.[17] I close with some suggestions for research on childbearing incentives and on immigration.

Childbearing Incentives

Charles F. Westoff, tracing the declines in U.S. fertility and the factors contributing to the decline over the past 20 years, has asked, "How . . . is society going to sustain the levels of reproduction necessary to replace one generation with the next?"[18] He says, ". . . given current trends it is not difficult to visualize a society in which perhaps one-third of the women never have any children, which would mean that the remaining two-thirds would have to reproduce at an average rate of three births per woman to maintain replacement. Under such circumstances, there is little doubt that some types of financial incentives to encourage childbearing will have to be implemented. . ."

What sorts of incentives? On what scale? Westoff says, "There is no clear evidence that the trivial baby bonuses, maternity care benefits and various employment benefits that have been legislated in European countries have had any appreciable impact on the birthrate. It is difficult to imagine well-paid women with little interest in childbearing being attracted by a few hundred dollars' worth of miscellaneous benefits. There may very well have to be a serious investment in child-care institutions and a willingness to subsidize reproduction on a large scale."

Now, it is not clear to me, and it was not clear to the U.S. Population Commission, that gradual decline in the size of the U.S. population would necessarily be a bad thing. However, Westoff is right in noting that the prospect of population decline makes nations very uncomfortable[19], and he may well be right in assuming "that governments will not look kindly on negative population growth or, for that matter, even a sustained period of below-replacement fertility . . ."[20]

Recommendations

I think we need some policy analysis in this area. It ought to encompass the consequences of natural decrease and negative population growth, and explore the effects of different rates and timing at which these might occur. If the results suggest the need for it, we ought then to consider experimental research on the long-term effects of child-care arrangements, subsidies, and other arrangements designed to encourage reproduction. What sorts of incentives might work? What might they cost? Are the projected costs on a scale the country might conceivably pay? If so, let's test a variety of incentives, as we have tested income maintenance programs, housing allowances, and educational vouchers; that is, by designing experiments. The government has increasingly shown an inclination to test the effects of programs before deciding to introduce them nationwide. We don't need incentives now, and we may never need them. But knowledge of their effects will take time to accumulate, and if we think there is a serious possibility that we may need them, we ought to begin developing knowledge about them.

Immigration

Westoff notes the availability of immigration as an alternative to subsidizing reproduction, in the event that the country decides to take measures to sustain population growth. While I share his skepticism about this course, I believe it should be the subject of analysis. In the years before it was restricted, immigration played an enormous role in adjusting manpower supply to fluctuating demand. We are now faced with, and will for some time be faced with, wide fluctuations in our native manpower supply, and we ought to prepare ourselves, as well as we can, with foreknowledge of the consequences of adjusting to these fluctuations through immigration. What has been the experience of the countries of northern and western Europe who have responded to problems of labor shortages by bringing in workers from southern Europe, north Africa, and the Caribbean? Have they solved the problem they sought to solve by this means? In so doing have they created other problems they would rather not have? More to the point, what have we learned from our own vast and continuing experience with immigration?

Recommendation

You have heard a good many facts about immigration in the course of these hearings, but I do not believe you have received an analysis of whether, when, and how to use immigration as an instrument of U.S. population policy. We ought to have such an analysis.

Thank you, Mr. Chairman.

Notes

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4. Congress of the United States, Congressional Budget Office, "Federal Assistance for Postsecondary Education: Options for Fiscal Year 1979." Washington, D.C., USGPO, May 1978, p. xii.
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7. Ibid., Table 11C, data from last column, for lder and younger siblings combined.
8. Norman B. Ryder, "The Family in Developed Countries," Scientific American, Vol. 231, No. 3, Sept. 1974, pp. 123-132.
9. Following the preparation of this statement I received a national analysis of this problem, which supports the Michigan results. See National Center for Education Statistics, The Condition of Education, 1978 edition, pages 205 and 234-235.
10. Goldberg and Anderson, op. cit., Table 11C, data from last column, for older and younger siblings combined.

11. Partial information was published from a projection in which the birth component was developed from the "Easterlin hypothesis." Little numerical detail was provided however, and the data were not presented among the main projection series intended for public use but were given in Appendix Table E3, page 140, of Current Population Reports, Series P-25, no. 601.

12. The Census Bureau conducted a study showing how the total numbers of men and women in 1970 Census detailed occupation categories would have been counted using 1960 Census occupation coding rules (U.S. Bureau of the Census, "1970 Occupation and Industry Classification Systems in Terms of Their 1960 Occupation and Industry Elements," by John A. Priebe, Joan Heinkel, and Stanley Greene, Technical Paper No. 26, July 1972). The results, while of great use in translating occupation data for all men and women, are of limited use where the focus is on particular age groups and educational levels. The Bureau's report contains no information on the interactions between occupational reclassification and age, education, or other characteristics except sex. Since there is reason to believe that important interactions exist, the Bureau ought to present information on them. Preferably, both the old and the new occupation codes would appear in the unit records in one of the Census public use samples. Desirable in the past, such a procedure becomes imperative for 1980, given the massive recasting of occupational classifications that is contemplated for that Census.

13. Social Science Research Council, Center for Coordination of Research on Social Indicators, "A Research Agenda for the National Longitudinal Surveys of Labor Market Experience: Report on the Social Science Research Council's Conference on the National Longitudinal Surveys, October 1977." Washington, D.C., SSRC Center for Social Indicators, May 1978.

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20. Westoff, op. cit., p. 82.

STATEMENT OF
CLAY H. WELLBORN, SPECIALIST IN URBAN AFFAIRS AND PLANNING
PLANNING, DEVELOPMENT, AND SURVEY RESEARCH SECTION
GOVERNMENT DIVISION
CONGRESSIONAL RESEARCH SERVICE
LIBRARY OF CONGRESS

before the

SELECT COMMITTEE ON POPULATION
U. S. HOUSE OF REPRESENTATIVES

June 8, 1979

Emerging population trends and the future implications of the present demographic structure of the American population present clear challenges to those responsible for planning public policy in a wide range of policv areas. Many of the likely problems have been discussed in previous hearings before this committee--problems resulting from declining birth rates, from the changing level of total national population, from the changing age distribution of the population, from the changing distribution of population among the various regions of the country, and from the changing rates of population growth in different urban and rural areas.

My assignment is not to review once again the implications of those changes for public policy, but to discuss alternative approaches to long-range planning for population change and its consequences--alternative institutional approaches that might be valid from the Federal point of view.

Population issues, like so many public policy issues, respect neither the jurisdictional boundaries of Executive agencies nor those of Standing Committees of Congress. There are few Federal policy areas that have no impact on population distribution, and there are few Federal programs that are insulated from the effects of demographic change.

This characteristic of population change and the institutional fragmentation of the Federal Government raise interesting institutional questions about how to plan for population change and its consequences. Programs that could affect population patterns are not managed from any central point. Job incentives to affect population growth and distribution fall within the jurisdiction of the Commerce Department; land use planning programs fall within the jurisdictions of the Department of Housing and Urban Development, the Interior Department, the Commerce Department, and the Environmental Protection Agency; urban development programs are largely in the Department of Housing and Urban Development; rural development programs are managed by the Agriculture Department; and tax incentives, which many argue are among the strongest influences on job and population distribution, fall within the purview of the Treasury Department. On the other side of the coin, population change, as demographer Peter Morrison has pointed out, has consequences for all of the departments that manage programs which directly or indirectly redistribute wealth and income across generations (such as Social Security, government retirement programs, and programs to aid in the financing of education), across regions (such as urban and regional development programs, revenue sharing, Federal procurement), or among income groups (such as welfare programs). Agencies that manage such programs need to exercise foresight to plan for the changes in the population groups that are the donors and the recipients in the redisbution process.

Problems arise not so much in planning within an individual agency, but when decisions in one agency have cross-impacts on the policies, programs, or client groups of other agencies. Thus, whether one is interested in affecting population growth or distribution or whether one is interested in responding to emerging demographic circumstances, one is faced with the problem of institutional barriers that impede a coordinated Federal approach to rational decisions.

Over the years there have been a number of proposals to strengthen the policy-making process in the Federal Government by improving its planning, analysis, and coordinative capabilities. Although the proposals have been addressed to the problem of governmental planning generally, the problems they sought to address apply to population matters to a large extent. There have been suggestions for planning or strategic assessment offices within the Executive Office of the President, counterpart offices in the Legislative Branch, independent offices of various kinds, and changes in the alignment of congressional committees. Improved policy planning and coordination has been a major theme, also, in discussions of Executive Branch reorganization and in legislation related to national urban growth policy, balanced national growth and development, rural development, and most recently in discussions of the need for cohesive Federal urban policy. There have been at least eleven identifiable proposals for improving the institutional framework for planning in the Federal Government. The only proposal that was actually implemented was the National Resources

Planning Board, which for a few years during the Roosevelt Administration was part of the Executive Office of the President. Other proposals for forms of national planning appeared in the 79th Congress in a bill for a "Full Employment Act of 1945;" in the 93d Congress in bills for a "Full Opportunity and National Goals and Priorities Act," and for a "Balanced National Growth and Development Act;" in the 94th Congress in a bill for a Balanced Growth and Economic Planning Act of 1975," for a "Full Employment and Balanced Growth Act of 1976," and for a "Balanced Economic Growth Act." Outside of the legislative arena there have been proposals for the creation of Offices of Strategic Policy Assessment in both the Executive and Legislative Branches, for the establishment of a National Growth and Development Commission as an independent body in the Executive Branch; and there has even been a proposal for a new national constitution that would replace our three branches of government with six, one of which would be the Planning Branch.

Another type of proposal has been the creation of special units in the Executive Office of the President to provide interdepartmental coordination and staff support in policy areas considered to be of great importance--areas such as environmental quality, drug abuse, poverty, and telecommunications. Such a special unit was suggested, as you know, by the Commission on Population Growth and the American Future, which called for the creation of an office of population growth and distribution in the Executive Office.

Each of the various proposals was aimed at improving the way national priorities are identified and the way Federal policies are formulated. None of the proposals called for the creation of static, inflexible national plans that would be blueprints for controlling important aspects of national life.

The planning idea has been put forth by members of both major parties because of several concerns. First, the decision-making structure of the Federal Government is fragmented and compartmentalized in both the Congress and the Executive Branch. Sometimes the compartmentalization is along functional lines, but sometimes it is along the lines of interest groups or constituencies. For example, the farmers have a Department of Agriculture; labor has a Department of Labor; and business has a Department of Commerce. Planning goes on in individual Executive agencies, but it is usually constrained by the mandate and interests of the individual agency.

The second concern is that Federal policy and program decisions are typically reactive rather than anticipatory, focussing on short-term problems rather than on longer-term issues. Forecasts of future problems are sometimes ignored or decisions deferred until problems become crises. Decisions made in a crisis are likely to be made with relatively little concern for to their long-term implications.

The third concern is that the Federal Government sometimes fails to make a systematic effort to identify the full range of options available for solving a specific problem or to carefully evaluate them in terms of their likely short- and long-term primary and secondary impacts.

A fourth concern is that many policy decisions seem to be made without reference to generally agreed upon and internally consistent sets of national goals. Not only is it hard to made decisions without a clear purpose, but we cannot measure progress or success of any particular policy or program without a clearly stated standard against which to measure achievement.

Concerns such as those have brought the perennial reemergence of the ideal of rational, comprehensive decisionmaking, which consists of the following elements:

1. Continual scanning of the domestic and international environment for events, trends, or circumstances that might be early signs of potential problems or opportunities;
2. Identifying national, agency, or program goals and priorities;
3. Designing alternative policies or courses of action to achieve the goals;
4. Assessing the short- and long-term costs and benefits of each alternative in terms of the primary objectives and in terms of likely secondary effects;
5. Selecting the most desirable policies and courses of action;
6. Implementing the policies and actions that were selected; and
7. Monitoring the results and evaluating progress toward the goal, with alertness for unexpected impacts or other surprises.

Such a list of planning elements appears to be relatively innocuous. The key problem is how and where to plan within the complex structure of the Federal Government. In the present context the problem becomes a question of where to institutionally locate a clear responsibility for population planning.

A fundamental guideline that planners like to point out is that planning without action is meaningless. The experience of planners suggests that planning, decision-making, and action must be integrated if planning is to be anything other than an empty exercise. It can be argued further that planning in the Federal Government should be linked to the legislative, budgetary, regulatory, and administrative processes of government, since those are the principal channels of governmental action. There is always a risk, however, that close linkages between planning and the channels of action will lead to planning that is overly sensitive to short-term problems at the expense of long-term issues. Designing an institutional arrangement that will encourage a balance between attention to short-term problems and long-term matters, and that will encourage assessment of the implications of short-term decisions for the longerterm future are central tasks in setting an agenda for governmental planning, including planning for population change and its consequences.

Proposals that have been put forward for various planning institutions in the Federal Government illustrate some of the organizational choices that might be considered. One group of proposals places the planning responsibility in an identified unit of the Executive Office of the President, either as a separate unit or as a unit within the Office of Management and Budget. Congressional counterparts would be created either as a new committee or as a new support agency or both. Another group of proposals would create a planning body as an independent agency of the Executive Branch, again with some form of Congressional counterpart.

The pros and cons regarding these two approaches are relatively straightforward. Linkage to the channels of governmental action can be achieved by locating the planning function in an independent unit in the Executive Office of the President. Moreover, such a location would at least in principle provide a degree of visibility and access to the President. Furthermore such a location could give the planners relatively good position from which to evaluate the work of individual agencies with regard to population, and it would offer a degree of leverage with the agencies. On the other hand, location within the Executive Office could make the planning function vulnerable to the short-term political pressures that are a normal part of government. This could lead to an inappropriately short time horizon for the planning body's work and to a transformation of a planning process into a mechanism for rationalizing decisions that were made on grounds that lay outside the planner's domain. An associated risk is that such a population unit, in order to protect itself from short term pressures, might become an ivory tower operation without any impact on policy making. Also, it would not be as well located to influence budgetary and legislative decisions as it would be if it were to be located within the Office of Management and Budget.

Locating a population planning unit in the Office of Management and budget could allow planners to work closely with budget examiners in assessing program proposals in both short- and long-range terms and to participate in the review of legislation. It would also give the planning body leverage to obtain data from and assign research tasks to individual line agencies.

On the other hand, the head of the population planning body would not be as near the President as he or she would be if the planning body were an independent unit of the Executive Office. This may be both an operational and a symbolic disadvantage. Location in OMB might also lead to a more serious pressure for attention to short-term matters.

Establishing a population planning unit as an independent agency in the Executive Branch, but outside the Executive Office of the President could protect the planning process from short-term or political pressures. However, such an arrangement separates the planning body from the channels of decision and action. Another disadvantage is that it could lead to a duplication of analytical resources available elsewhere in the Executive Branch. It might also become an ivory tower operation.

Although some organizational arrangements can impede good planning and policy coordination, organizational improvements are probably not sufficient to achieve better population policy. The essential ingredient in any planning effort is a commitment to the planning idea on the part of those who direct the planning process. An important criterion, therefore, in judging the relative merits of alternative organizational approaches to planning for population change and its consequences is the degree to which a proposed institution would overcome the obstacles to good policy planning and prepare the field for the exercise of strong, informed leadership in the formulation of population policy.

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National Policy Planning

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PREFACE

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NATIONAL POLICY PLANNING

Clay H. Wellborn
Specialist, American National Government
Government Division
December 2, 1976

NATIONAL POLICY PLANNING

ABSTRACT

National policy planning is an idea which, though its time may not come during the 95th Congress, will not go away. This is so because reorganization of the Executive and the Legislative Branches will almost certainly be on the agenda, and in the eyes of its supporters, national policy planning should be an integral part of organizational reform.

Planning on a national scale goes on throughout the government, in both the legislative and the executive agencies. The key issue, therefore, is not whether we should have a national planning process but how can we have a better one. Because the defects of the present system have become increasingly apparent, national policy planning does not seem to be the partisan issue it once was. Better national planning was a persistent concern of President Nixon, and in both Houses of Congress, Members from both parties support it, at least in principle.

What are the defects of the present system that have drawn bipartisan support for a better system of national planning?

These may be summarized as follows:

(1) It does not look far enough ahead so that it can anticipate readily identifiable problems of the future and better prepare itself for handling the unexpected;

(2) It does not set up specific, articulated and realistic goals against which the success or failure of government programs can be measured;

(3) It does not do a good job in keeping its many programs consistent with each other and with the overall goals established by Congress;

(4) It does not systematically consider the short and long term impacts of its programs designed to meet a specific problem on other national programs and problems.

There is not much disagreement on the defects of the present system; there is sharp, widespread disagreement on how Congress and the Executive Branch should go about establishing a better system. There are good arguments for and against some of the specific institutional innovations being proposed, and the outcome is not clear. What is clear, however, is that a new planning organization -- if Congress does approve one -- will not work except on two conditions: the leadership in both branches of government must be committed to it, and the structure of the committee systems in both Houses of Congress must be consonant with the planning mechanisms of the Executive Branch.

NATIONAL POLICY PLANNING

Over the years, there have been many attempts to improve the policy making processes of the Federal Government. Bills have been introduced to create a Congressional Office of Regulatory Policy Oversight and to create an office of strategic policy assessment in the Executive Office of the President with a counterpart office in the Legislative Branch. Changes have also been proposed in the Rules of the House of Representatives with the aim of improving coordination among Committees, and the Senate has established a Temporary Select Committee to Study the Senate Committee System with a similar purpose. Improved policy planning and coordination is one of the major themes of efforts to reorganize the Executive Branch of the Federal Government, legislation on national urban growth, and proposals to establish a national system of social accounting. It was a dominant consideration in the establishment of the new Congressional budget process, in the creation of the Office of Technology Assessment in the Legislative Branch, and in the creation of the Office of Science and Technology Policy in the Executive Branch.

Each of these actions or proposals is aimed at improving the way national priorities are identified and the way Federal policies are formulated. None of the actions that have been taken and none of the proposals that have been made call for the creation of static, inflexible national plans that would be blueprints for controlling all important aspects of national life and activity. The common thread that runs through them is to take institutional steps to ensure that policy formulation is systematic, based on sound information and policy analysis, and attentive to short- and long-term impacts and cross-impacts of alternative courses. The actions and proposed actions reflect the desire to find ways to give more comprehensive attention to policy questions that cut across the relatively arbitrary boundaries of Executive agency and Congressional committee jurisdictions.

The idea is not nearly so much a partisan idea as it was when it emerged in the 1920's and 1930's. Historically, planning had a liberal Democratic color to it, but the tint seems to be fading largely because of a conservative Republican President Nixon. Nixon sought to implement a national policy planning capability in the White House and radically to reorganize the departments of the Executive Branch.

The planning idea has been put forth by members of both major political parties because of several concerns. First, the decision-making structure of the Federal Government is fragmented and compartmentalized in both the Congress and the Executive Branch. Sometimes the compartmentalization is along functional lines, but more often it is along the lines of interest groups and constituencies. For example, farmers have a Department of Agriculture; labor has a Labor Department; and business has a Commerce Department. Committee jurisdictions in Congress show a similar pattern. There does not at this time exist an effective way to coordinate the diverse planning efforts, the decisions, and the activities of these many fragments of the Federal Government. There is planning, but it is diffused. Where it exists it is usually agency planning and constrained by the mandate and interests of the individual agency.

The second of the concerns is that Federal policy and program decisions are typically reactive rather than anticipatory, focussing on short-term problems rather than on long-range issues. One characteristic pattern is for forecasts of likely future problems to be ignored or decisions deferred until the problem becomes a crisis. When decisions are made in crisis conditions, they are likely to be made with little or no appreciation of their future impacts.

This pattern is reinforced by the lack of institutional capacity systematically to search and identify potential future problems or opportunities that should be brought to the attention of policy-makers in Congress and the Executive Branch. Some of the reluctance of policy-makers to concern themselves about the future stems from the inherently "iffy" nature of forecasts. There is pressure for policy-makers to operate on the principle of not worrying about problems that may never come or will come after they are out of office because they will be judged here and now by the way they handle a never-ending list of current problems. Constituents demand attention to their present problems, not to hypothetical ones.

The third concern is that the Federal Government often fails to make a systematic effort to identify the full range of options available for solving a specific problem and to carefully evaluate them in terms of their likely short- and long-range primary and secondary impacts.

A fourth concern is that many policy decisions are made without any reference to generally agreed upon and internally consistent sets of national goals. Not only is it hard to make decisions without a clear purpose, but we cannot measure progress or success of any particular policy or program because we have no clearly stated standard against which to measure achievement.

Concerns such as these have led generally to the appearance of a variety of legislative proposals for policy planning and to the reemergence of a planning idea that is based upon the rational, comprehensive model of decision-making, a model that encompasses the following elements:

1. Continual scanning of the national and international environment for early signs of potential problems or opportunities;
2. Identification of national goals, objectives and priorities;
3. Design of alternative policies and courses of action to achieve the stated objectives;
4. Assessment of the costs and benefits of each alternative in terms of the primary objectives and likely secondary effects --both short- and long-term;

5. Selection of the most desireable policies and courses of action;

6. Implementation of the selected policies and coures of action; and

7. Monitoring the results and evaluating progress toward the stated objectives, with alertness for unexpected impacts and other surprises.

Such a list of planning elements appears to be relatively innocuous. Planning after all, takes place everywhere and at all levels -- in households, in private firms, and in government itself. The planning that does occur in government, however, is generally short-term, without clearly articulated goals, and conducted in individual compartments of government without regard for what is going on in other compartments of government. The policy issue is not whether to plan; the issue is what to plan and how to plan within the complex structure of the Federal Government. It is also a question of where a central planning responsibility should be institutionally located.

A fundamental guideline to remember while considering proposals for national policy planning is that planning without action is meaningless. Planning and action must be linked if planning is to be anything other than an exercise. It could be argued on the basis of this consideration that planning should be linked to the legislative, budgetary, regulatory, and administrative processes of government, since these are the principal channels of governmental action. An example of such a linkage can be seen in the requirement for 5-year budget projections under the provisions of the Congressional Budget and Impoundment Act, a requirement that can potentially assist decision-makers to understand the future implications of current decisions. There is always a risk, however, that close linkages between planning and the channels of action will lead to planning that is overly sensitive to short-term considerations at the expense of long-term issues. Finding a balance between attention to short-term problems and attention to long-term issues as well as understanding the implications of short-term decisions for the longer-term future are central tasks in setting an agenda for governmental planning.

The various proposals that have been put forward differ on how to achieve this delicate balance. The Advisory Commission on National Growth Policy Processes, for example, is recommending that a long-range planning institution -- the Commission on National Growth and Development -- be held apart from the hurly-burly of congressional and Executive Branch politics. The Advisory Committee recommends an independent agency of the Executive Branch which would be charged with examining "emerging middle to long-range growth and development issues with particular attention to the integrative implications" and with recommending "feasible policy alternatives to the Congress, the President and the Public." The Commission would be "an independent center devoted to identifying and examing policy issues before they surface as crises . . . and enter the partisan political arena . . . . " With such a recommendation the Advisory Committee is opting for protection of the planning institution against short-term pressures at the risk of possible isolation from the action channels of the Federal Government. An alternative approach is taken in a proposal from a work group at the Woodrow Wilson International Center for Scholars. Their proposal would establish an Office of Strategic Assessment in the Executive Office of the President, either as an independent element of the Executive Office or as a unit of the Office of Management and Budget. In this proposal the link with action channels of government is chosen at the risk of embroiling the planning organization in short-term problems and political maneuvering of day-to-day governmental operations.

These two examples illustrate the complexity of the problem, for a number of imperatives have to be brought into balance: Planning should be linked to action. Individual line agencies of the Executive Branch need to achieve coordination among themselves. Long-term issues must receive systematic attention. Short-term decisions must be made in full appreciation of their long-term implications. Indeed, the key ingredient in finding a workable balance may be the degree of commitment to planning by the individuals who play the central roles in government.

The separation of powers established by the Constitution presents an interesting organizational question to those who would have a policy planning capacity established in the Federal Government. Planning is often thought of as an exclusively executive function, but in the American system of government there is as much a need for foresight and policy integration in the Legislative Branch as there is in the Executive Branch. Most proposals have not come as directly to grips with this problem as they might. The typical approach is to propose a new staff function in the Legislative Branch as a counterpart to a new staff planning function in the Executive Branch -- a Congressional Office of Policy and Planning, a Congressional Office of Goals and Priorities Analysis, or a new organizational element in the Office of Technology Assessment. Some proposals also include provisions for the Congressional review of a periodic planning document submitted to Congress by the Executive Branch as a recurring focus for the planning cycle within the Federal Government as a whole.

The central problem in the establishment of foresight and policy integration in the Legislative Branch, it could argued, is not, the provision of adequate staff services to Congress. This is a relatively simple task which is already carried out by existing institutions such as the Congressional Budget Office, the Office of Technology Assessment, the General Accounting Office, and the Congressional Research Service. The central problem is dealing with the committee system that fragments policy functions of the Congress into compartments that have difficulty relating to one another. The Committee system is a necessary approach in Congress in order to achieve some division of labor and expertise through specialization, but it reflects and reinforces a propensity to deal with problems and issues in a piecemeal way. The Congress is aware of this difficulty and has taken steps toward overcoming it through such things as joint referals of bills, through innovations in its approach to the budget and appropriations process, and through attention to the structure the committee system itself. Although policy integration remains an elusive goal, there are signs of incremental progress.

Some proposals for a national policy planning capability do include suggestions for additional innovations in Congress. The Advisory Committee on National Growth Policy Processes is considering a suggestion that joint committees be used as vehicles for integrating policy-making. The Joint Economic Committee is seen as a principal focus for such an effort, but other joint committees are also proposed. These joint committees would be charged with preparing concurrent resolutions that would serve as statements of general policy for the guidance of the committees of both chambers of the Congress when they consider specific bills. The Advisory Committee is also considering recommending the use of ad hoc committees as a flexible means to address issues that cut across the jurisdictional lines of the individual standing committees.

In the Senate, the Temporary Select Committee to Study the Senate Committee System is taking a different approach. It is proposing a reduction in the number of Senate Committees from 31 to 15 and the reduction in the number of committee and subcommittee assignments of individual Senators from an average of 18 to a maximum of 8. This would be a significant consolidation of the policy-making fragments of the Senate as it is presently organized. In contrast to the Advisory Committee, the Senate Select Committee is proposing the abolition of joint committees. In the House of Representatives the committee structure was examined by the Bolling Committee, which recommended a number of changes aimed at more effective integration of policy-making in the House. Action finally taken by the House on the Bolling recommendations was limited, however, and only a few marginal changes were made in the structure of House committees.

The question of what to plan remains open. Many supporters of planning in the Federal Government stress the need for a comprehensive, integrative approach to Federal policy formulation. However, a truly comprehensive approach would be a formidable and perhaps impossible task. Indeed, detractors of a comprehensive approach to policy formulation assert that it is an impracticable idea. Between these two extremes are those who urge the identification of basic or fundamental policy problems, the solutions of which are essential for national well-being. They would limit planning to only a few sectors of public policy.

According to planning historian Otis Graham, planners associated with the New Deal identified the gross size of the economy, energy, land use, population distribution, manpower, public credit, science and technology and incomes as strategic areas for planning. More recently, the Advisory Committee on National Growth Policy Processes has identified Federal policies on national security, natural resources, human resources, and the economy as among the basic policy areas worthy of integrative and comprehensive attention by Congress.

Some would argue that limiting the strategic planning areas would make planning ineffectual. Others would assert that the policy sectors given in the preceding examples are so broad as to preclude effective concentration on key problems. Finding the balance between true comprehensiveness and workability would be a critical task in designing a proper Federal planning framework and process.

Executive Branch reorganization will almost certainly be on the agenda of the Federal Government during the 95th Congress. Any consideration of reorganization will address questions of governmental management practices. Since national policy planning is, in the eyes of many, a key element in governmental management, it is likely that planning questions will arise in any discussion of reorganization. Both Congress and the Executive Branch will be potentially affected by reorganization proposals because of the close relationship between the organization of the Executive Branch and the structure of the committee systems of the Senate and the House.

If a planning approach is to be integrated into a reorganization of the Executive Branch, it can only be truly effective if the precepts of planning are also integrated into the policy-making structure of Congress -- the committees and the leadership. Without a commitment to the planning idea in both Branches, the fragmented approach to Federal policy formulation will probably remain fundamentally unchanged.

Testimony

U.S. HOUSE OF REPRESENTATIVES

Select Committee on Population

Domestic Consequences of Population Change

The Need for Better Foresight in Policy Making

by

Kenneth D. Rainey
Vice President
Academy for Contemporary Problems

Over the past several weeks this committee has heard from many experts in the field of demography and economics on the subject of population and economic change in the United States and its consequence for public policy. I will not discuss current population and economic trends; but, rather, dwell on the consequences for policy making of such projections.

The major idea that I would like to put before you is that in the past we have been too often surprised, first by the consequences of our policies, both direct and indirect, and second in changes in the population distribution and economy that could have been easy to foresee. What is needed is some way of incorporating better foresight into public policy.

Some of the surprises have been these:

Policy: To create a high-speed interstate highway system to facilitate the movement of goods throughout the United States.

Surprise: The interstate system is almost completed and we find that (1) energy is too scarce to permit its use at its designed speed and the 55 mile per hour limit is below the designed speed for truck efficiency, and (2) railroads are collapsing and require public funding.

Policy: To discourage the imports of foreign crude oil in order to promote utilization of domestic supplies.

Surprise: The United States is dependent on foreign oil to meet the needs of an energy intensive economy and life style.

Policy: To encourage the utilization of natural gas and electricity through price regulation and massive publicity by the public utilities.

Surprise: There is not enough gas and electricity to meet our expanded needs. Regulatory policies must be shifted to rationing, curtailments, and conservation. Public utilities must shift their advertising campaign from utilization to conservation advertising. (Both kinds are at the public expense).

It is this kind of unforeseen consequence that adds to the growing public outrage. The public pays both ways for this lack of foresight. It pays in higher utility rates for the advertising that promoted the utilization of gas and electricity. It pays for the advertising that promotes the conservation of gas and electricity. It will doubtless pay higher utility rates because of the lack of planning done by the public utilities.

Policy: Take land out of production and encourage high technology farming.

Surprise: (1) We have created a cycle of grain and food shortages and surpluses leaving the farmer with poor profits and both the farmer and consumer with high costs. (2) There is a continuing decline in the farm population and in family farming.

Policy: Put dry land into production through the development of irrigation and water projects in the West.

Surprise: (1) Western water is needed for energy development. (2) High cost production from irrigated lands must compete with naturally watered lands where the full potential acreage is not being planted as the result of other policies. One Western agricultural researcher recently told me that feed grain selling for $2.50 per bushel costs $9 to produce if all public and private costs are accounted for.

The cost burden of this falls on both the farmer and the consumer. The consumer pays both at the store and April 15.

Policy: To encourage the decentralization of major cities. To encourage home ownership and deconcentration of the major cities through the urban elements of the interstate system, home mortgage programs, and home mortgage interest tax deductions.

Surprise: The cores of our major cities are emptying out and are in serious decline.

Policy: To bring economic and population growth of the major regions of the country into better balance by encouraging growth in the South and West. (Most economic experts in 1965 said it could not be done).

Surprise: The policy has worked or at least it has happened and the older industrial cities of the North and the Midwest now face serious decline. The regions are in balance.

Policy: Find a new economic base for the declining coal region.

Surprise: We need them to mine coal.

Not policy, but observable fact: There has been a decline in the birth rate and the war baby generation can naturally be expected to grow older.

Surprise: (1) There are now too many maternity wards, school rooms, and college facilities;

(2) We have too many teachers and PhD's to meet the market for high school, grade school and college enrollment projections;

(3) The war babies need jobs.

People pay for the lack of foresight in our policy setting at both the store and in taxes. Furthermore, people pay at both ends of the problem. For example, they pay to encourage higher acreage farm production and technological advance through the programs of the Department of Agriculture and they pay for the buying and storage of surpluses. They pay for artificial scarcity and for higher cost scarce food. They pay for regional balance and its consequences in the declining regions of the United States.

Why does this happen?

There are two major reasons why our policy setting in the Executive branch, the Congress, and at all levels of government have failed to incorporate adequate foresight on the probable consequences of policy.

First, policy setting in the United States takes place in a very complex intergovernmental and public and private setting. What actually happens out on the ground is a result not only of what Congress does or what the President does, but also the result of millions of decisions made by state and local governments and by people acting as private citizens. It is idle to even wonder about whether this system can be changed in the United States. It is an essential part of our freer enterprise system and of our Federal system.

Policy setting takes place in vertical systems. This refers to what Douglass Cater in "Power in Washington" called sub-governments. That is, agricultural policy is essentially set in a vertical system where the Department of Agriculture talks with farmers, with its counterparts at the state and local levels, with the land grant colleges, and then with the agricultural committees of the

Senate and the House. This kind of substantive system or substantive separation of powers in policy setting has led to a tunnel vision. The consequences outside of agriculture are not adequately taken into account in setting agricultural policy. The same is true when we set energy policy, environmental policy, or urban economic development policy.

What to Do

Better foresight on the consequences of policies and programs does not mean new Federal or governmental programs are needed to perfect the policy setting process or to avoid the inadvertent consequences of policy. Solving the problem does not require more government. The surprises I have referred to came about in large measure because of policies and programs of the Federal government. With one exception they were not the result of natural phenomena. The Federal government already is intervening extensively in every branch of the economy and every level of government activity.

It is not a question of developing some new monolithic kind of national planning, not because it is politically unacceptable (it is), but because it is not likely to work. It does not work in countries that use it. It is not likely to work here because our more limited efforts at requiring planning or requiring coordination among Federal departments or levels of government have not been crowned with success. Second, we must recognize that policy setting in a big and complex government must necessarily be substantively divided in order to get work done.

Bureaucratization of Good Ideas

In developing a way of bringing about more foresight in policy setting in the United States one must also recognize a phenomenon that could be called "the bureaucratization of good ideas." The problems of lack of coordination in policy setting have been recognized for a long time. The conflicts among programs have been clear. As a result, there have been numerous efforts at the Federal level to try and bring about better foresight in policy setting, but these all have suffered once the solutions have been bureaucratized.

For example, the environmental impact statement is undoubtedly a good idea. It is only proper to ask what happens to the environment if a Federally aided project is to be put into place. But once the environmental impact statement is required, it first of all becomes big business to do such statements and second the massive production and compliance requirement resulting from requiring such statements becomes an impediment for the state and local governments in carrying out Federally aided programs.

Nearly 25 years ago Federal policy encouraged local planning because such planning was needed to bring about better decisions on public investments. Congress passed the 701 Planning Program to provide funding to encourage localities and state governments to engage in local planning. This program, too, became bureaucratized to the point that the production of plans took precedence over the meaning of these plans to local policy makers.

In 1970, the Congress required the production of a biennial Growth Report whereby the President would advise the Congress and the public on major economic and demographic trends in the United States and their consequences for policy setting. The Growth Report was undoubtedly a good idea but again its production became bureaucratized and none of the reports produced thus far can be said to have made meaningful contribution to policy setting or to have provided information that would be useful to either the President or the Congress in setting development, economic, population, or environmental policy.

The question therefore becomes one of how to build a better foresight into policy making at all levels of government and to protect it from being bureaucratized and becoming a ticket punching, paper stamping exercise.

Anything done runs the risk of bureaucratization. Congress plays a key role in preventing this by constant exercise of its oversight function and through the role it could play in demanding more useful performance from the Executive branch.

A number of requirements of a system for incorporating better oversight into policy making can be stipulated.

1. First, a capacity for policy analysis must be developed that is both small and comprehensive across economic, population, environmental and social questions. Congress, the Executive branch, state and local governments must have access to this capacity no matter where it is placed. The problem is that our colleges and universities do not train people to do this type of policy analysis. They train people to build magnificent conceptual clipper ships in bottles rather than sturdy analytical dinghies that can float on the real seas of public problems.
2. We must recognize that projections and estimates are debatable and the projections made by one group are not facts about the future. There are no facts about the future. Some people's guesses, however, can be expected to be better than others.

3. Foresight must be rewarded rather than being required.
4. Those who make key decisions must recognize that better foresight on policy questions is necessary for solving our current national problems of energy, land and water use, economic development or population policy.

Recommendations

The National Commission on Supply and Shortages made a number of recommendations for meeting the needs for better foresight in policy making in its report, Forging America's Future, Strategies for National Growth and Development. This was released in December of 1976. Among those recommendations were the creation of a national growth and development commission as an independent agency within the Executive branch of the Federal government. This commission was to have a broad mandate to examine emerging issues of middle- to long-range growth and development and to suggest feasible alternatives for Congress, the President, and the public. It recommended that Congress in creating a commission should impose upon itself and the President the requirements that both respond to the reports issued by the commission.

It also recommended that the current responsibility for the production of what was then called the National Growth Policy Report be transferred from the President to the Commission.

The Commission also recommended a substantial reform of Federal statistics collection and publication.

It recommended that Congress take steps to see that pending legislation be accompanied by a committee report outlining a bill's foreseeable indirect middle- to long-range effects along with a concise statement as to the general goals and specific objectives to which the bill was to be directed.

The task now before Congress in examining these recommendations is to see how this kind of new institutional foresight might be adopted without its becoming bureaucratized.

I have several suggestions to offer.

First, the proposed revamping of the statistical programs is now being considered by both the President's reorganization program and by the Office of Federal Statistical Policy and Standards. Both will make recommendations within the coming year to the Congress about how a major revision of Federal statistical programs might be carried out to provide more timely and meaningful information for policy making.

Second, the creation of an independent commission such as was proposed by the National Commission on Supplies and Shortages would be a worthwhile undertaking. But several concerns should be added to the recommendation of the Commission. The national growth and development commission could do useful analysis. Both the President, Congress, state and local government, and private enterprise would require a staff capacity of their own to interpret and analyze its findings. For example, the commission could project population or natural gas supplies and shortages, but congressional committees must be able to debate these projections and examine their probable consequences for any bills they clear for floor action.

Third, the Congress already has in place the organizations it needs for better policy analysis and for incorporating better foresight, broader views on legislative consequences, into its actions. The action creating the Congressional Budget Office was a monumental step. Such an office can provide Congress with a broad view, cross-cutting committee concerns. The Office of Technology assessment, the Congressional Research Service, and the General Acçounting Office provide Congress with additional resources for policy analysis.

The institutions you need already exist. No new bureaucracies are required. All that is needed is for the Congressional leadership to demand comprehensive policy analysis on the probable consequences of legislation--on people, the economy, the environment. Committee chairmen rightfully are concerned with the narrower, advocacy aspects of the legislation they clear for the floor. It is only natural to expect that a chairman of an agricultural committee is more concerned with agricultural consequences than urban affairs and vice versa. The congressional leadership, therefore, plays the key role in requiring better, more comprehensive analysis of legislation reaching the floor for consideration by all members. A few years ago it would have been idle speculation to suggest that this be done. But recent congressional reforms have already given the groundwork for such action. They have also raised the public's hope that it will take place; that there will be fewer surprises in the future.

SIERRA CLUB 530 Bush Street San Francisco, California 94108 (415) 981-8634

THE USE OF POPULATION PROJECTIONS BY THE FEDERAL GOVERNMENT FOR PROGRAMS AT THE LOCAL LEVEL

Dr. Judith Kunofsky
Population & Growth Policy Specialist
Sierra Club

Statement before the
Select Committee on Population
June 8, 1978

Hearings on
"The Capacity of the Federal Government to Plan for Population Change and Its Consequences; Local Needs and the Federal Response"

Outline

What are population projections?
How population projections are used

Case Studies:
    Implementation of the Clean Water Act by
    The Environmental Protection Agency:
    San Francisco, Denver, and Atlanta

    Water Development and Wilderness Study Areas:
    Actions of the Forest Service, Medicine Bow
    National Forest, Wyoming

    Water Development and Hydroelectric Power:
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Appendices: Proposed E.P.A. regulations;
    Resume of Dr. Judith Kunofsky;
    "Population Projections; Choosing, Using & Abusing"

Good morning. My name is Dr. Judith Kunofsky. I am the Population & Growth Policy Specialist on the staff of the Sierra Club. The Sierra Club is a grassroots environmental organization, with 180,000 members in all fifty states. Our legislative and educational programs deal with parks, wilderness protection, and land use; energy policy; and pollution abatement, among other areas. I work with environmentalists, public officials, and administrators throughout the country to help them understand and interpret the ways population projections are prepared and used, particularly in reference to projects and programs of major environmental significance. On behalf of the Sierra Club I would like to thank you for this opportunity to address the Select Committee on Population on the subject of "The Use of Population Projections by the Federal Government for Programs at the Local Level."

What are population projections?

A population projection for a given geographical area is a statement of what the population size and growth rate would be at certain dates in the future. It differs from a population estimate in that an estimate is usually a statement about a past or current population of an area. Projections are prepared for the world, for nations, states, counties, cities, and smaller geographical areas, and can be prepared prepared with a variety of detail and sophistication. Some give only the total number of people; others give distribution by age, sex, and sometimes race, religion, or other group identification. Population projections are prepared using different models, or mathematical formulations, that express different theories about why and how population size and growth rates change. For example, one might assume that a community's overall population would continue to increase at 1% a year. Or one might make separate assumptions about family size, mortality, fertility timing, and migration, and apply those assumptions to a detailed breakdown of the current population by age and sex. Alternatively, one might relate population change to a projection of regional job availability. (See Box below)

Brief Summary of Projections Methodologies

Extrapolation or Mathematical Model: Continue a trend in the birth rate, growth rate, or migration rate into the future, or fit past behavior to some mathematical curve. Example: exponential curve.

Demographic Projection: Make separate assumptions about fertility, mortality, and migration, and then use the distribution of the current population by age and sex to project future population by age and sex. Example: Census Bureau U.S. projections.

Econometric Projection: Make assumptions about the future availability of employment in a region and about fertility rates. Then adjust net in-migration so that, for some assumed levels of unemployment and labor force participation, the labor force arising from the population assumptions matches the labor force as determined from the job projection. Example: Bureau of Economic Analysis projections for economic areas.

Land Use Projection: For an area sufficiently small that plot-by-plot land uses can be specified, use information about zoning and housing starts to project housing construction. Then, using assumptions about household size, translate to a population projection.

Ratio Projection: This method is used when one needs a projection for an area for which good information is not available. Find a larger geographical region in which this one is contained for which you do have a projection, then assume the area in question will be a constant proportion (or some trended proportion) of the population of the larger region.

A projection is not a prediction, in that those who prepare them generally deny that a projection reflects their best judgment of what is most likely to happen. A projection does reflect the consequences of a continuation of "current trends" and the extent to which the model chosen does mirror behavior in the real world. The difference between them is that in life "current trends" always change and they change, at least in part, as a result of our evaluation of and reaction to those trends. As an example, the current situation is that approximately one out of five births in the U.S. is to a teenager. One might prepare a population projection continuing this condition. However one might feel that as a society we will adopt programs to change the situation, and therefore prepare a projection that assumes a reduction in teenage parenting.

Population projections are prepared using much accumulated experience and are almost always prepared to reflect what are believed to be current trends. Of course, the determination of what is a current trend and what is instead a short-term aberration in behavior in fertility or migration is very difficult and at certain levels arbitrary. It is important to realize that it is not a question of a projection being right or wrong, but simply that the world is much too complicated for there to be a correct guess of the future. I am of course not in any way trying to deny that some projections are prepared in totally inadequate ways due to lack of background of the preparers.

Demographer Peter Morrison has written that, "Forecasting is least effective when it is conducted as an exclusively mechanical process. It is tempting to adopt an approved method, plug in some numbers, and crank out some more numbers that tell people what to do.... It should be possible, however, to improve the odds on making right decisions, not only by laboring to improve the models, but also by sharpening our ability to evaluate and assess the products of forecasting models.... Those who use demographic forecasts must exercise at least as much judgment as those who make them." (Peter Morrison, from "Overview of Population Forecasting for Small Areas")

It is extremely important that political leaders and the general public acknowledge Morrison's point. What is needed, as I will describe, is not simply more research and better computer modeling, but a greater attention to the uses to which projections are put.

How population projections are used

Population projections are used in three ways. From following the progress of your work as a Committee, I would suppose you are most familiar with the first of the three: Projections are used to give us an idea of population size and growth rates in the future. We can evaluate if the U.S. has reached or will reach zero population growth, how fast our numbers might be increasing in the year 2000, what the contribution of immigration of various levels is to the U.S. population, what trends mean in U.S. population redistribution to the Sun Belt, how fast Monterey California is gaining people or how fast another region is losing people. From these projections we can then evaluate the need for corrective or supportive actions, the wisdom of adopting various population policies to change or reinforce trends. But the projections themselves are in this way used as an educational tool to reflect on population itself.

The second general way in which projections are used is the one my statement deals with, namely the use of projections today in determining the allocation of federal funding, the decision to go ahead with or stop various federal, local and state projects. All major governmental investments, in roads, dams, sewage treatment plants and sewers, or energy production facilities attempt to satisfy one or both of the following needs:

a) They may address a current problem, such as one of water pollution of known magnitude or type.

b) They may provide for additional "capacity" to continue to abate a current problem or a perceived future problem. They may, for example, provide for the water needs in several decades of a community that does not now have a water shortage, or they may accommodate expected increase in vehicle traffic in a community which does not now have those problems.

In order to determine these future needs, the agency proposing a project prepares a projection of the quantity involved, whether demand for water, amount of untreated sewage, vehicles expected. In each case, an essential component of the demand projection is a projection of the number of people to be living in the area in question or to be served by the facility. Thepopulation projection is then used to determine whether a project is needed, where it should be located and of which scale, the cost-effectiveness of the proposal, and finally, the amount of money to be made available by the appropriate level of government.

Population projections, therefore, are crucial and indispensible factors in the evaluation needs and relative priorities by communities themselves and by federal and state agencies with funding authority.

Population projections are also used in a third way, which I will mention only briefly: They are used in the building of computer models involving both population and economic projections, through which proposals to achieve certain social goals can be tested for effectiveness. For example, a model may incorporate various types of air pollutants emitted by different sources, and topography and weather conditions, and proposals to meet federal air quality standards can thereby be tested. Modeling can also be used to roughly guess the effect on population of proposed energy development, a new industrial facility, or water development.

If the question were only that of wasting federal tax dollars, the problems would be bad enough. We might conjure up visions of some communities with inadequate water supplies while in others the available water is much more than needed although the excess had been made available at great public expense. Fortunately or unfortunately, however, the building of major projects often has the effect of inducing or facilitating the population and economic change that was projected.

This situation poses certain problems:

1. Is it equitable that a community which consciously or unconsciously submits an inflated projection be entitled to a bigger chunk of the tax dollars?

2. The growth that is induced may have reflected the will only of certain special interests in a community.

3. An effect of one federal program may be to undermine the goals of another, as when the federal government funds a sewage treatment plant to solve current water pollution problems, and the reserve capacity of that plant facilitates growth in an area which has heavy dependence on the automobile. As a result, auto commuting is increased and air quality is lessened. Another example would be if a city with decreasing population were forced to use a projection reflecting only the "current trends", thereby aiding and abetting such population decrease. This direction might be contrary to an established federal or state or local policy of rebuilding the city's population and industrial base.

CASE STUDIES

I offer the following examples of the use of population projections by three different federal agencies (Environmental Protection Agency, Forest Service, Army Corps of Engineers) to illustrate some of the problems that have arisen.

Implementation of the Clean Water Act by the Environmental Protection Agency: Denver, San Francisco, and Atlanta

The Clean Water Act of 1972, amended in 1977, is a multi-billion dollar program to clean the nation's waters. It is currently the largest public works program in the country, with annual expenditures of $4.5 billion. Section 201 of the Act provides for a federal contribution of 75% (85% in some cases) of the costs of constructing municipal sewage treatment facilities. The size of any particular plant, and therefore the amount of federal funding available, is dependent on the magnitude of current problems, and on projections both of per capita production of sewage and a population projection for the area to be served.

San Francisco Bay Area: The nine counties in the San Francisco Bay Area had a 1975 population of 4.8 million. Each county has a high and low projection of its own which, for the year 1990, range from a regional total of a high of 6.4 million to a low of 5.8 million. The regional projections prepared by the Association of Bay Area Governments for 1990 range from a high of 5.6 million to a low of 5.3 million. That is, the higher regional projection is lower than the total of the low projections for each of the nine counties. Similarly, in Denver, the regional projection for the year 2000 is 2.35 million compared with 1.5 million today, while the total projections of the 37 constituent municipalities was 2.7 million or 13% more. In addition, the region is zoned for 6.5 million. This means that zoning is not an effective tool for guiding regional development; what does have a great effect is the location of and sizing of sewers.

Why such discrepancy? Because projections are at their most variable at the very local level, for communities within a larger economically integrated region. Population growth in that type of community cannot be predicted knowing the number of jobs in the same jurisdiction, because people routinely cross political boundaries to get to work. Growth locally depends more on land use, quality of schools, accessibility of roads and public transit, and the availability of sewer hookups. A community is not likely to experience housing construction unless it can provide sewers. Conversely, a community with sewage treatment is committed to allowing/encouraging population increase because the capacity is available and because growth helps defray the non-federal cost of the facility and the fixed operation and maintenance costs.

Atlanta: A third case, illustrating a somewhat different point, is that of the Atlanta Regional Commission, which is the Council-of-Governments ("COG") for the seven-county region including Atlanta. The Atlanta Regional Commission, like the Association of Bay Area Governments and the Denver Regional Council of Governments, is the designated water quality planning agency, called the "208" agency because Section 208 of the Clean Water Act mandates regional planning for all sources of water pollution, including sewage, and agricultural and stormwater runoff. The state of Georgia has projected that, if current trends continue, the Atlanta region will have 2.4 million people by the year 2000. The A.R.C. itself has projected its area will contain 3.5 million people in that year, or 46%. The A.R.C. has been quite vocal in calling for funding by all federal agencies at the projected 3.5 million level. What are current trends in this situation, and what is the federal government's responsibility?

Water Development and Wilderness Study Areas: Actions of the Forest Service, Medicine Bow National Forest, Wyoming

The U.S. Forest Service, within the Dept. of Agriculture, has been developing a management plan for the Huston Park Unit of the Medicine Bow National Forest in Wyoming. The Unit is near the city of Cheyenne and the key point of contention has been the extent to which the Forest Service would accept the Cheyenne Water Board's request that land be reserved for further development of the city's water supplies. Some of the remaining areas were to be made available for study for potential inclusion in the National Wilderness Preservation System. The five options presented ranged from reserving 1/3 of the acreage requested for potential water development to reserving all the acreage requested. To put this in a different light, the acreage requested for wilderness study ranged from none to 43,010 acres. The original choice made by the Forest Service was to reserve all the acreage requested for water development, and to allocate 29,770 acres for wilderness study.

Substantial controversy arose, however, after publication of the Draft Environmental Impact Statement on December 17, 1976. The Cheyenne Water Board had used a projection of 113,490 for Cheyenne for the year 2000, compared with 43,813 in 1973. However the Economic Research Unit of the Office of the State Planning Coordinator had projected a year 2000 population of 73,400 for the *entire* Laramie County in which Cheyenne is located, of which about 60,000 would be in the city of Cheyenne. This point was raised not only by the Wilderness Society and the Wyoming Outdoor Council, but also by the Office of Industrial Siting Administration of the state and by the Governor. Governor Ed Herschler wrote that, "The draft statement ... fails to adequately address several important matters.... The discussion of the population projections and the increased demand for water resulting from the projected population should be more specific and definitive."

Objections were sufficiently compelling that in the final report, dated September 1977, the Forest Service reported it had changed its recommended management plan to one allocating about half the requested acreage for potential water development and 36,840 acres for wilderness study. The City immediately appealed to the Director of the Forest Service and the matter is still being negotiated.

Reference: U.S. Department of Agriculture, Forest Service
Final Environmental Statement for the Huston Park Unit
Land Management Plan
Snake River-Encampment Ranger Districts
Medicine Bow National Forest
Rocky Mountain Region, Wyoming

Water Development and Hydroelectric Power: The Army Corps of Engineers in Alaska

An example of proposed water resource development involving potential federal funding is the Army Corps of Engineers' proposal for a dam on the wild Susitna River in Alaska. If built, this would be the most expensive hydro-electric dam project in Corps history, with costs estimated between 1.5 and 6 billion dollars. Corps analysts have admitted that, "by making assumptions about future populations and economic growth and then providing energy sufficient to sustain such growth, the initial projections may become self-fulfilling prophecy." (Source: Susitna Interior Feasability Report) However in the project's environmental impact statement the Corps claims that the population and industrial growth would occur whether or not the dam is built and that the increased availability of power would not stimulate industrial development.

I need not comment on the inconsistency between these two statements. The Corps did point out though, that "by presuming that energy needs must be met, the opportunity to use the provision of power as a tool to direct growth toward socially desirable goals is foregone. In the absence, however, of any such generally accepted growth goals, it seems highly presumptuous to do otherwise than plan as to satisfy the energy needs required to sustain that level of future development deemed most likely." While the statement is somewhat self-serving, it does clearly point out that unless we as a country begin to develop and articulate more clearly our national, regional, and local population goals, the *de facto* growth policy will be that produced by a non-policy-oriented planner who is simply reflecting past trends or by the most vocal and opinionated special interests.

In the case of federally funded water projects, calculations of costs and benefits are dependent on what population and economic projections one uses for which regions. This raises the question of the extent to which the federal government has a responsibility to subsidize growth in one part of the country at the expense of growth elsewhere.

Reference: "Boom Projections in Alaska May Lead to Damming Devil's Canyon", by Michael Checknoff in Zero Population Growth's _National Reporter_, September 1977.

To summarize the problems posed in use of local projections by the federal government:

1. Government money may be wasted if the federal contribution to an area is really in excess of that warranted by reasonable needs, and more pressing problems in other areas may go untended.

2. A community may be burdened with undue financial obligations for repaying bonded indebtedness or operation and maintenance costs if the projected growth is _not_ forthcoming.

3. Growth may be induced by one federal program in a way that is inconsistent with or actually undermines the achievement of the objectives of other federal programs.

4. Growth may be unfairly induced in some regions to the detriment of other regions.

5. One community may be receiving funds from a variety of federal and state agencies based on very different population projections.

Projections thereby constitute _de facto_ growth policies and whether interpreted as "current trends" or as "goals" the decisions are often made without adequate public involvement of even without _any_ involvement of policy makers.

PUBLIC POLICY ISSUES

One can develop two extreme positions that might be taken on appropriate public policy regarding population projections. First, fund only on the basis of current trends. A basic weakness here is that we may not like the trends and may have established a variety of laws, regulations, or programs to change those trends. Why, then, should certain federal programs ignore or contravene those goals? Also, as I have discussed, because of the nature of population projections there can be many different objective assessments of current trends. An additional problem with current trends projections is that adding up projections made by states, for example, according to their best interpretation of current trends, will likely be very far from (i.e. exceed substantially) a reasonable projection of U.S. population as a whole. So we need to acknowledge that there is substantial flexibility in the "current trends" game.

Second, one might advocate that governments at all levels plan in terms of population goals. The difficulty here is that a community is not in total control of its growth rate, and the courts continue to rule on the extent to which a community can plan for growth substantially slower than current trends would indicate. Perhaps more importantly, there are relatively few explicit consensuses at state or regional levels regarding community population goals. The question of national population goals is one I hope the Select Committee will deal with in future hearings.

Even given these problems, some projections have to be used. The extremes of using only current trends or using only goals clearly pose insurmountable problems in terms of national policy. The task, therefore, is to develop reasonable, workable procedures that take into account the many public interests.

Suggested principles for national policy

I submit that the following principles should guide national policy in the use of population projections:

1. The federal government should continue to produce projections for the country as a whole that reflect a range of interpretations of current trends in U.S. population growth. The Census Bureau should consider preparing additional projections that take into account the acknowledged 1970 Census undercount of more than 5 million and that include figures on illegal immigration. Moreover the federal government should seriously consider producing alternative projections that reflect a more goal-oriented attitude towards U.S. population growth, i.e. that exhibit alternative population paths including fertility and migration assumptions that are not now regarded as current trends.

2. There is nothing wrong with the federal government continuing to produce a consistent set of population and economic projections for regional and communities, according to current trends, as does the Bureau of Economic Analysis for the Water Resources Council. However projections which are developed for use by the government in funding must satisfy the following conditions:

   a. Projections must be prepared using demographically acceptable techniques and must be periodically updated. This point should be no surprise.

   b. The sum total of all state projections used, or all projections for smaller geographical units, should be equal to or reasonably related to a projection of U.S. population.

c. Projections must take into account the relevance of goals as well as trends.

d. There must be a place for input by state and local governments as well as the public.

3. All federal agencies should use the same projections in a community or state.

4. The federal government has no responsibility to promote increased population or economic growth in an area unless that promotion is consistent with and in furtherance of established national goals. That is, the federal government should not subsidize one region's growth goals at the expense of those of another region.

5. Communities must be encouraged to consider preparing and/or using projections that reflect goals, not simply trends. This is particularly true for population distribution within a community but should also be true for population size itself. Implementation of the Clean Air Act, Clean Water Act, and other national legislation has, in some communities, led to this type of innovative thinking, but this needs to be encouraged far more than it has been.

6. A standing interagency committee should exist at the federal level to review and coordinate the use of projections by all federal agencies and raise questions needing resolution before the Administration or Congress, whichever is appropriate. I am pleased to tell you that such an interagency committee has recently been established; I will return to its responsibilities shortly.

7. As the federal government is better able to articulate national policies for urban development, protection of agricultural land, water policy, housing, population growth, etc. some mechanism must be developed for factoring these considerations into the projections development and use process.

Proposals by the Environmental Protection Agency

I am pleased to tell you that the Environmental Protection Agency has issued interim/final regulations for a portion of the amended Clean Water Act which contain Cost-Effectiveness Guidelines whose recommendations on population projections satisfy virtually all the criteria I have just outlined as essential for sound national policy. (A copy of the proposals is appended to this statement.)

I will briefly outline the process E.P.A. is recommending: It begins with the Census Bureau's Series II projection for the United States. This is the medium projection, the one most often quoted and used. It is the projection which gives a U.S. population in the year 2000 of 260 million and one in which U.S. population never stops increasing. The Bureau of Economic Analysis of the Dept. of Commerce periodically prepares a consistent set of population and economic projections for more than six hundred geographical regions in the country, including the states. E.P.A. proposes to begin with the fifty state projections prepared by the B.E.A. Each state would disaggregate (i.e. divide up) its projection thus derived into projections for regions with designated water quality planning agencies ("208" agencies), and for SMSA's and counties in parts of the state with no "208" agency. This rung of agencies would then disaggregate the projections for constituent counties, cities, and sewage facility planning areas ("201" areas). The available federal funding would be limited to the appropriate share (75% or 85%) of the cost of a facility whose size was determined according to the population projection. The act of course allows communities that wish to construct larger facilities to do so at their own additional expense.

Exceptions would be allowed as follows: If a state already has a projection which, by the year 2000, is no more than 5% greater than the one produced by the B.E.A. in this process, such a projection could be used. An even larger projection could be used only if approved by the Administrator of E.P.A. after public notice and an opportunity for a hearing. If a "208" agency already has a projection approved as part of the water quality planning process, such projection can continue to be used unless the year 2000 population is more than 10% greater than that in the state's disaggregation for the same geographical areas. In the latter case, the projection must be revised.

I do not have time to discuss in detail the benefits and limitations of the proposals. As mentioned earlier, the proposals satisfy almost all the criteria I listed; the questions I do have relate to the extent to which federal policies will be integrated and the details of the phasing-in process. Nevertheless I believe the regulations are sufficiently important and sufficiently farsighted that E.P.A. should be encouraged to proceed with their implementation as quickly as possible.

One of the objections raised in some circles regarding the proposals has been the question of whether other federal agencies such as D.O.T. and H.U.D. would follow suit. However there exists an interagency agreement among E.P.A., D.O.T., and H.U.D. to use the same population projections and there now exists a new interagency forum for the negotiation of these questions. Last year the President established, by Executive Order, a Statistical Policy Coordination Committee, officially at the Cabinet level chaired by the Secretary of Commerce. This Committee, which I believe has met twice thus far, has established a subcommittee to review federal policy regarding the use of projections. The subcommittee will meet the first week in June to begin to develop a work plan. This is an opportune time, then, for the Select Committee on Population, if it wishes, to offer suggestions to this subcommittee regarding their work plan, to work closely with them in their deliberations, and to present them with conclusions you may come to regarding the preparation and use of population projections by federal agencies.

Recommendations for Select Committee action

I conclude with several recommendations for your consideration:

1. Request that the Statistical Policy Coordination Committee's subcommittee on population projections conduct a survey of all federal agencies to determine which ones are using population projections, how those projections have been developed, and uses to which they are put.

2. Request that the S.P.C.C. then produce informational material discussing the results of the above-mentioned survey, a listing of what subnational projections are available from the federal government (such as the Census Bureau and B.E.A.), and the differences among them.

3. Transit to all standing committees with jurisdiction over the programs identified in the above survey the Select Committee's recommendation that sufficient funds be ensured to those programs for periodic update of the projections themselves. Furthermore, recommend that they ensure continuing review of the use of pro-

jections, with analysis of advantages and disadvantages, and any problems arising or suggestions for improvement.

4. Endorse the principles I listed earlier regarding the federal government's use of population projections.

5. Endorse the interim/final regulations of the Environmental Protection Agency regarding the use of population projections in the Construction Grants Program under the Clean Water Act. Recommend that E.P.A. use the same schematic process in all its programs. Recommend that all federal agencies use the same process, and communicate this recommendation directly to the affected agencies and to the Statistical Policy Coordination Committee.

6. Recommend that federal programs with money for training, research, and public education (including but not limited to the Environmental Protection Agency, National Science Foundation, H.E.W."s Office of Environmental Education, and the Center for Population Research in N.I.C.H.H.D.) fund research on the effects of the use of population projections and education for the general public and policy makers at all levels on the preparation and use of population projections.

Thank you. I would be happy to answer any questions.

Cost-Effectiveness Analysis Guidelines and Reserve Capacity

[6560-01]

Title 40—Protection of Environment

CHAPTER 1—ENVIRONMENTAL PROTECTION AGENCY

SUBCHAPTER B—GRANTS AND OTHER FEDERAL ASSISTANCE

[FRL 875-6]

PART 35—STATE AND LOCAL ASSISTANCE

SUBPART E—GRANTS FOR CONSTRUCTION OF TREATMENT WORKS

INTERIM REGULATIONS IMPLEMENTING CLEAN WATER ACT OF 1977

AGENCY: Environmental Protection Agency.

ACTION: Interim final rule.

SUMMARY: These regulations implement amendments to the Federal Water Pollution Control Act, as amended (FWPCA), contained in the Clean Water Act of 1977 (Pub. L. 95-217, hereafter the "1977 Act") which affect the wastewater treatment works construction grant program administered by the Environmental Protection Agency (EPA). These regulations deal primarily with the following subjects: State priority, grant eligible categories, land eligibility, user charges, industrial cost recovery, grants for individual systems, combined step 2 and 3 grants, training facility grants, Buy America, cost-effectiveness analysis, and reserve capacity. They are being published as interim final regulations at this time because the applicable provisions were effective upon enactment of the 1977 Act and guidance is needed to keep the program operating.

DATES: Effective date—April 25, 1978. Comments may be made on or before June 30, 1978. Public meeting for purposes of receiving comments will be held in June and July 1978. Notice of these meetings will be published in the FEDERAL REGISTER.

ADDRESSES: Comments should be sent (in triplicate, if possible) to: Mr. Alexander J. Greene, Director, Grants Administration Division, Attention: PM-216-P "Construction Interim," Environmental Protection Agency, 401 M Street SW., Washington, D.C. 20460. Comments may be inspected at: Public Information Reference Unit, EPA Headquarters, Room 2922, Waterside Mall, 401 M Street SW., Washington, D.C. 20460, between 8 a.m. and 4:30 p.m. business days.

FOR FURTHER INFORMATION CONTACT:

Mr. Michael B. Cook, Chief, Facility Requirements Branch (WH-547), Environmental Protection Agency,

. . .

Section 21 requires the Agency, in determining the amount of reserve capacity eligible for a grant, to take into account the projected population presented in a facility plan and determined on the basis of the latest information available from the United States Department of Commerce or from the States as EPA, by regulation, determines appropriate. This provision, as well as several comments indicating that some States and 208 agencies have already completed their population projections, raise the issue of whether the approach involving disaggregation of the Department of Commerce population projections for each State as proposed on February 4, 1977, should be retained. The Agency believes this approach should be retained because, to avoid providing excessive reserve capacity, forecasts of population and economic activities for individual small areas such as facility planning areas or designated 208 areas should be reasonably consistent with State and national projections. At the same time, reasonable departures from the Department of Commerce State projections and their disaggregations to designated 208 areawide planning areas should be allowed where the State or designated 208 agency has already prepared projections. The proposed guidelines permit use of State projections already prepared by the State if the year 2000 State projection does not exceed that of the Department of Commerce projection by more than 5 percent. The Administrator may approve State population projections that exceed the Department of Commerce projections by more than 5 percent if justified by the State. Prior to the Administrator's approval of such a departure, the Regional Administrator must solicit public comment and, if serious issues are raised, hold a public hearing. Where a designated 208 agency has already prepared a population projection for its area, it may be used if the year 2000 population does not exceed that of the disaggregation, based on the Department of Commerce projection, by more than 10 percent.

8. *Cost-effective staging and sizing of treatment works.—a. Population projections.* (1) The population forecasts presented in individual facility plans shall, except as noted herein, be based upon disaggregation of State projections of population. These State projections shall be those developed in 1977, or subsequently, by the Bureau of Economic Analysis (BEA), Department of Commerce, unless, as of (insert the date these guidelines become effective), the State has already prepared projections. These State projections may be used instead of the BEA projections if the year 2000 State population does not exceed that of the BEA projection by more than 5 percent. Should the departure exceed this amount, the State-prepared projection must either be revised and subsequently approved by the Regional Administrator or be justified on the basis of historical and current trends (energy and industrial development, military base openings, etc.) not taken into account in the BEA projections. The request for departure from the BEA projections, together with the justification, must be submitted for approval to the Administrator. At or before that time, the State shall issue a public notice of the request. Prior to the Administrator's approval of the State-prepared projection, the Regional Administrator shall solicit public comments and hold a public hearing if important issues are raised or if serious questions arise concerning the validity of the State projections.

(2) Each State, working with designated 208 planning agencies and other regional planning agencies in nondesignated areas of the State, shall disaggregate the State population projection among its designated 208 areas, other Standard metropolitan statistical areas (SMSA's) not included in the 208 area, or other appropriate urban units, and its remaining counties or other appropriate jurisdictions. When disaggregating the State population total, the State shall take into account the projected population and economic activities identified in facility plans, areawide 208 plans and municipal master plans. The sum of the disaggregated projections shall not exceed the State projection. Where a designated 208 area has, as of (insert the date these guidelines become effective), already prepared a population projection, it may be used if the year 2000 population does not exceed that of the disaggregated projection by more than 10 percent. Should the departure exceed this allowance, the 208 area-prepared projection shall be revised and submitted for approval to the State and the Regional Administrator.

(3) The State projection totals and the disaggregations will be submitted as an output of the statewide water quality management process. The submission shall include a list of designated 208 areas, all SMSA's and counties or other units outside the 208 areas. For each unit the disaggregated population shall be shown for the years 1980, 1990, 2000. The State projection totals and the disaggregations will be reviewed by the Regional Administrator for approval prior to October 1, 1979.

(4) Upon approval of the State projection totals and disaggregations, they shall be used thereafter for areawide water quality management planning as well as for facility planning and the "needs" surveys. Within areawide 208 planning areas, the designated agencies, in consultation with the States, shall disaggregate the 208 area projections among the SMSA and non-SMSA areas and then disaggregate these SMSA and non-SMSA projections among the facility planning areas and the remaining areas. For those SMSA's not included within designated 208 planning areas, each State, with assistance from appropriate regional planning agencies, shall disaggregate the SMSA projection among the facility planning areas and the remaining areas within the SMSA. The State shall check the facility planning area forecasts to ensure their reasonableness and consistency with the SMSA projections.

(5) For non-SMSA facility planning areas not included in designated areawide 208 areas, the State may disaggregate population projections for non-SMSA countries among facility planning areas and remaining areas. Otherwise, the grantee is to forecast future population growth for the facility planning area by linear extrapolation of the recent past (1960 to present) population trends for the planning area, use of correlations of planning area growth with population growth for the township, county or other larger parent area population, or another appropriate method. A population forecast may be raised above that indicated by the extension of past trends where likely impacts of significant new energy developments, large new industries, Federal installations, or institutions would justify such departures, and such justification is documented in the facility plan. In such cases, population forecasts should be based on estimates of new employment to be generated. The State shall check individual population forecasts to ensure consistency with overall projections for non-SMSA counties and justification for any departures from past trends.

(6) Facility plans prepared under step 1 grants awarded later than 6 months after Agency approval of the State disaggregations shall follow population forecasts developed in accordance with these guidelines.

Population Projections:

Choosing, Using and Abusing

JUDY KUNOFSKY

Population projections are never wrong, but they're never entirely unbiased, either. The big question is: Do the projections come from the people, or do the people come from the projections?

PLANNING IS BOTH a skill and an art, and population projections—so basic to all planning—are a formidable combination of overwhelming technical detail *plus* understandable policy choices. When you are faced with an elaborate population projection and demographers and planners who know every detail of the system, it is all too easy to either give up on population projections as totally worthless or regard them as too complicated or dull to be worth confronting.

However, population projections, together with land-use policies, are the *de facto* growth policies of every level of government. Each proposal for a sewer, highway, water-diversion project, energy facility, school system, recreational area or housing program is based on a forecast of need—which always includes somebody's population projection. Allocation of funding from all levels of government depends on who produces what numbers for what purposes.

Various projections, available for California as a whole and for counties and cities within the state, are made by the Population Research Unit (PRU) of the Department of Finance, which prepares a "baseline" projection as well as several "alternative" projections; by regional associations such as ABAG and SCAG; by the Bureau of Economic Analysis and the Bureau of the Census, both in the U.S. Department of Commerce; by counties and cities; and by university and business research centers. Differing in overall numbers and distribution, these include demographic projections, econometric models, land-use analyses, extrapolations, local hunches, and various combinations.

The PRU's baseline projection is the one used by most (but not all) state agencies, counties and cities, together with a variety of other projections or local modifications of the baseline. The most recent one, known as a D-100 series, was produced in 1974; it assumed an eventual average completed family size of 2.5 children per woman, and 100,000 net annual migration into the state. It foresaw 29 million Californians in the year 2000 and 37 million in 2020. The new baseline, to be released this summer and known as an E-150 projection, will use an average completed family size of 2.1 children and net in-migration of 150,000 per year.

Several changes have been made over the past year in the procedure for preparing and issuing this baseline:

- Public hearings were held in Sacramento and Los Angeles to discuss fertility and migration assumptions for the state as a whole and county by county. Several environmental groups testified, but most comments were requests for clarification from planners who had technical questions on how the projections were being prepared. Too little attention was paid to the substance of the decisions.
- The explanatory material accompanying the publication of the baseline will be expanded, and is expected to include the kind of disclaimers made orally by the PRU on correct and incorrect uses of the projection.
- More detail is expected on a county-by-county basis, so it should be easier to tell what fertility and migration assumptions are being used, as well as what additional factors may have been taken into consideration. The latter include presumptions of increased water supplies, recreational development, and spillover of population into counties with lower housing costs, all presumably reflecting current trends. This material will be beneficial only if people *use* it to understand the bases for the county projections and decide whether one projection rather than another should be the basis of planning.

Different groups of people—those who prepare projections, those who use them in planning, and those who see them as *de facto* growth policies—have different viewpoints on what constitute reasonable assumptions, relevant models, and justifiable uses.

Demographers use the expression "correct projection" to refer to a forecast in which no mathe-

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JUDY KUNOFSKY, population specialist for the Sierra Club, has completed a handbook on understanding projections and is currently running workshops throughout the state on projections and their uses.

For more information: J. Kunofsky, Sierra Club
530 Bush St., San Francisco CA 94108

matical errors were made in reaching the results. Even if the starting data are only a poor estimate, or the assumptions and model unrealistic, the projection is technically "correct." Forecasters become defensive and pedantic if you call a projection "incorrect" when you really mean to say it is unrealistic, undesirable, or unusable. Projections are continually being updated, and changes in trends are incorporated in new projections *as* they are perceived by the makers.

Of course, differing views abound on how projections should be prepared. The PRU staff, for example, believes that projections should objectively assess current trends, and not be slanted toward someone's view of what is desirable. If the result shows a future that is different from what you want, then you have both the incentive and the evidence to change policy in a way that might alter the trends themselves. The projection prevents you from being lulled into complacency by thinking your population dreams are coming true. However, there's no such thing as an unbiased projection, since one can make demographically sound arguments for a wide range of models and assumptions. "Current trends" can mean almost anything when migration is as volatile as that to California.

If we suppose, though, that a range of likely possibilities *can* be produced, then use of such projections can be an excellent tool. For example, the Environmental Management Task Force (EMTF) of the Association of Bay Area Governments (ABAG) will be evaluating the air- and water-quality consequences of the two "base cases" developed by ABAG staff. If the results are unacceptable, the EMTF will propose a variety of policy changes to be plugged into the model that simulates population and industrial growth and distribution throughout the Bay Area. Program proposals will be varied until a combination is developed that results in desirable air and water quality. The EMTF will in this way develop an implementation plan, which is to be approved by the ABAG general assembly as well as by the Environmental Protection Agency (EPA) and the State Water Resources Control Board (SWRCB). It will remain up to the cities and counties themselves to make the changes, although ABAG does have certain review powers.

A philosophy different from that of the PRU holds that, since the use of projections is self-fulfilling, projections should be prepared to reflect *desired* trends. One should then use *these* projections as a way to maximize the chances of achieving this more desirable future (relative to using another projection). These points of view are not inconsistent, however. The political conflict comes in deciding which projection to *use*, rather than which to prepare, although the latter choice is not totally without controversy. Official agencies may need to use only one projection and may not want, or be allowed, to use a projection that presumes certain policy goals. Use of something labelled "current trends" can be seen as an easy way out or, more charitably, as an acceptable compromise.

The following discussion explores some of the problems encountered in projecting population, and avenues for challenging projections.

Models and assumptions

You may believe the assumptions or the model being used in a projection to be an unreasonable representation of current trends. For example, you might believe that the PRU's baseline, which is a *demographic* projection and uses an assumption of constant net annual migration into the state, should instead be done as an econometric projection, where migration is a function of labor needs. Or you may question the particular level of migration being used. This type of objection to a projection is the most sophisticated, since you must know in detail how the projection is prepared, and enough demography or economics to make cogent arguments. The public hearings this past year on the PRU's new baseline were designed to be a forum for this kind of discussion.

User-agency discretion

Agencies producing projections often prepare at least two, spanning a range of reasonable trends. Sometimes one is singled out as the "preferred" projection, as in the case of PRU's baseline—or sometimes not, as in the case of ABAG's two "base cases." Agencies may have leeway in choosing from several cases produced by one planning agency or even among projections using different models and produced at different levels of government.

> **"Forecasters become defensive and pedantic if you call a projection 'incorrect' when you really mean to say it is unrealistic, undesirable, or unusable."**

For example, proposed EPA regulations on federal grants for certain sewage-treatment projects would revise the current haphazard process and require that the projection used for a state and its subregions be derived from the projection of the U.S. Bureau of Economic Analysis, "unless the use of alternative projections prepared by the State has been approved by the Regional Administrator [of EPA]." Under these regulations, the state would allocate the projected population among areas with regional councils of government and other counties. The COGs would then themselves be responsible for allocating to counties, cities, etc., within their areas. For this program, federal payments of 75 percent of project cost are available, while 12.5 percent in state funding comes via the SWRCB. The latter has ruled that projects will be funded only for populations up to the level of the baseline, except in critical air regions where E-O, a lower PRU alternative projection, is to be used. The difference can be substantial: Orange County, with a 1976 population of 1,750,000, has a projected population of 2,811,000 in the year 2000 under the D-100 baseline (a 61-percent increase) compared with 2,378,000 under the E-O (a 36-percent increase).

Current trends vs. goal orientation

Since projections are to some extent self-fulfilling, some people believe that planning should be done on the basis of adopted goals or targets, not on the basis of current trends. But users of projections will generally choose only a projection prepared by some official agency, so a first task is to convince somebody to do (or fund) a projection embodying a particular goal. The next step is to convince agencies to use that projection.

The distinction between what is desirable and what is likely is easily confused. People often assume that when a population projection "sees" substantial growth in an area, facilities must be provided to "serve" that growth. This is the worst kind of self-fulfilling prophecy. A projection designed to reflect current trends may presume lack of adequate land-use controls, or low gasoline prices. So if these trends continue, growth will occur. But the population will be there only if the supporting facilities are built, not the other way around. It might well be argued that the housing needed should be in some other part of the same economically integrated region.

There is not even consensus on which projects or policies are the determinants of local population growth. In 1974, for example, the California Department of Transportation submitted a proposal for the widening of Interstate 580 between Hayward and the Livermore-Amador Valley, an area with the worst air pollution in the San Francisco Bay Area. Both CalTrans and the Federal Highway Administration claimed that the 1990 population of the valley would be the same with or without expansion of I-580; they maintained that development was a function of zoning and sewer availability and that expansion of the highway would in itself have no growth-inducing impact. Others, such as ABAG and its Metropolitan Transportation Commission, as well as the Sierra Club, disagreed.

Consistency

Agencies providing services in the same region may be using different population projections. For example, while the SWRCB funds sewage-treatment plants up to the level of the E-O projection in critical air regions, the State Department of Health uses the higher baseline projection *everywhere* in the state. Last year *Cry California* ("How We Keep Losing the Numbers Game," Summer 1976) reflected growing frustration with this situation and recommended that, "once a reasonable series of projections has been made, it should serve uniformly as the planning basis for *all* state agencies." The most simplistic way to do this would be to use the official "current trends" projection—the baseline—but such a choice would ignore the special needs of areas with air pollution as well as the desires of local governments. If local officials are to be able to guide the future of their communities, they *must* have something to say about the size of facilities even when funding is coming from a state or federal source. The most innovative suggestion for dealing with this plethora of projections has come from the governor's Office of Planning and Research. OPR proposes that state-funded capital facilities be based on population projections developed by the COGs when such projections have been approved by OPR. Projections would be reviewed for consistency with regional plans and state policy, and to ensure that they do not exceed the baseline (or E-O, in critical air regions). In counties not part of a COG's jurisdiction, the baseline (or E-O, as appropriate) would be used. This is an attempt to provide a mechanism through which local policies—as well as "trends"—and state goals can be taken into consideration.

Population projections, once thought of as simply technical exercises, are coming to be recognized as powerful tools for influencing public policy. Unless environmentalists learn to understand and use population projections wisely, growth policy will continue to be molded by the "current trends" thinking of technical experts, or by those who have more quickly recognized the power of projections to shape the future. ✱

FEDERAL POPULATION STATISTICAL POLICY AND FEDERAL-LOCAL RELATIONSHIPS

Statement of
Richard A. Engels
Assistant Chief
Population Division
Bureau of the Census
U. S. Department of Commerce

Before the
Select Committee on Population
U.S. House of Representatives

June 8, 1978

FEDERAL POPULATION STATISTICAL POLICY AND FEDERAL-LOCAL RELATIONSHIPS

Recently I had the opportunity to spend an afternoon with the staff of the Select Committee on Population reviewing Federal population estimation and projection activities for local areas both from a technical perspective and with respect to their implications for policy application. My understanding of what is needed here today is to reiterate and summarize much of what went on that afternoon, with a particular focus on the significance for Federal statistical policy and with an emphasis on current and emerging Federal-State-local relations in population work.

Formal Federal and State Interaction

Some measure of perspective may be gained from a review of the Federal-State Cooperative Program for Local Population Estimates (FSCP). During the late 1960's and early 1970's, the Federal-State Cooperative Program for Local Population Estimates (FSCP) developed with the goals of (1) promoting a closer working relationship between Federal and other analysts concerned with State and county population estimates, (2) reducing the proliferation of estimates by many agencies for the same local areas, (3) improving the quality of the estimating methods and data through mutual projects, and (4) giving official recognition at the Federal level to the extensive population analysis that is undertaken in many States and local areas.

The focus of the program originally was, and remains, the production of current population estimates for States and counties. However, the data requirements imposed by the provisions of the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing) for population estimates for municipalities have expanded the scope and work of the FSCP somewhat. The membership of the FSCP is comprised of one representative selected from each State government; an agency appointed by the Governor but generally recognized as a group active in applied population work. They have operated in concert with all other States in the FSCP, but also individually with the Census Bureau to obtain and evaluate county and State input data, and to review and revise results of the analyses. In some cases, the State analysts carry out the actual preparation of the estimates, while in most the work is completed by the Census Bureau and the results are returned to the State group for review and further work, if necessary. It should be noted that three separate and distinct estimating methods are relied upon at the State and county level. Two of the procedures are highly standardized, while the third (a regression technique) permits local variations on the method and accommodates to the relative availability and interrelations of local data.

With regard to municipalities and estimates for General Revenue Sharing, the interaction of the two levels of government in the preparation of the figures is not as well developed, in part due to the recent addition of the Revenue Sharing responsibilities, but also due somewhat to the methodology used to construct the estimates. Only one uniform method is available here, a component procedure in which births and deaths are obtained from the normal vital statistics registration system, and migration is estimated from shifts in the reporting of exemptions to the Internal Revenue Service (IRS) for pairs of years. Since the confidentiality of IRS records is closely guarded, only summary statistics may be shared with the FSCP representatives (e.g., migration rates). In addition, the procedures and data do not permit freestanding estimates for each area, but rather are a part of a 50-State system of migration, making it almost impossible to isolate each State and local area for individual treatment. As a result, the establishment of a truly full exchange of data and a complete partnership in research and production of estimates for cities and towns may not be feasible.

In six States(California, Florida, Oregon, Vermont, Washington, and Wisconsin) estimates for areas below the county level developed by the participating FSCP agency are combined with Census-prepared municipal estimate for use in the General Revenue Sharing system. This insures somewhat closer harmony between the Revenue Sharing figures and the estimates utilized by the States in their own programs of refunding revenue generated by State taxes on motor, fuel, alcoholic beverages, tobacco, and other sources. In five of the six States involved, a housing unit approach relying upon changes in housing units to trace population shifts is used by the FSCP agency to develop local estimates. The guiding principles in all six instances, of course, have been (1) demonstration of an earnest research program to provide reliable data on the housing inventory, vacancy rates, and population per household, and (2) as rigorous an evaluation of the procedures and background data as is possible.

Beyond this, other advances also have been made in utilizing locally prepared population figures, both in general FSCP activities and Revenue Sharing in particular. State participants in the FSCP are being urged to take the preparation of county estimates from data collection through the final review of the estimates, with only overview and minimal technical assistance from the Census Bureau. A few States have responded enthusiastically, while most are comfortable with the current distribution of responsibilities, and still others find themselves without the staff, computer, and related resources to seriously consider a more central role in developing the estimates. In the long run, however, more locally-prepared estimates is a preferable arrangement permitting an even closer day-to-day working knowledge of methodological nuances by local analysts and should serve as a useful vehicle through which to make meaningful methodological advances.

To this end, several Census Bureau computer programs for the standard FSCP estimating methods are being offered to the group as assistance in implementing some of the county-level estimating methods locally. Also some State participants have been asked to document and make available their own computer adaptations of the methods for sharing with other interested States.

In all areas, the results of special censuses conducted by the Census Bureau are utilized in place of estimates when the date of the census approximates the date for which the estimates are to be prepared. In a similar fashion, special censuses taken or supervised by FSCP participating agencies are adopted to replace estimates. This is done in four States who have active population analysis programs, and that are prepared to carry out large-scale censuses with generally recognized and acceptable census procedures (California, Florida, Oregon, and Washington).

The participating FSCP agencies in several States increasingly are also taking part in the collection and refinement of birth and death data for municipalities in the Revenue Sharing estimates. Although the Census Bureau has gone directly to the responsible data agency on many occasions, FSCP agencies often are active as a clearinghouse for such population-related material and are a valuable resource in interpreting and servicing what are often troublesome data series.

Changing FSCP Administration and Expanded Scope

At the outset, the FSCP began with a few well articulated goals, but operated under a rather informal charter to prepare county-level population estimates and generally undertake limited joint Federal-State population work that appeared to be mutually interesting and beneficial. Although the program has accomplished most of the goals set forth at its inception, there have been pitfalls, many of which remain. For example, as the program has evolved over the last 10 years, there have been feelings on the part of many States that the program is not as "cooperative" as implied by its title or as they would like it to be. At the same time, the Census Bureau has been somewhat frustrated with the diversity in State population programs and staffs, with the turnover in State staffing, and with the underlying basic variations from State to State in the general level of commitment to population work. Two States (Massachusetts and Texas), for example, have not had an appointed FSCP agency for the past two years. Under these types of conditions, the prospects for ever agreeing on a completely cooperative and uniform FSCP program would seem to be slim.

Nonetheless, even now the program is a great deal more than being reduced to the least common denominator. Three recent developments are particularly encouraging. First, after reviewing the operation of the FSCP for the last two years and examining some of the changes in mission with FSCP members, a series of specifications is being drafted now to guide the structure, administration and goals of the group. At the risk of imposing undue formality on the program, the construction of an agreement specifying goals and respective duties of the parties involved now appears to be appropriate, needed, and timely.

It also tends to complement a second development that suggests more formal arrangements. The Office of Statistical Policy and Standards sponsors an Interagency Committee on Statistical Methodology which, in turn has appointed a subcommittee to look into all Federal-State cooperative data programs in the Federal government, review their structure, consider standards for their operation, and generally advise on the feasibility of designing a uniform system of administration and treatment. The subcommittee has worked for three years and just recently submitted a series of final recommendations to the parent committee outlining a wide range of areas and issues on which FSCP programs may be brought into closer agreement and receive more even treatment from a Federal perspective. One of the recommendations that could have a rather major effect upon the Census Bureau's FSCP for population concerns funding. Of the approximately 13 FSCP programs reviewed by the subcommittee, for example, all but the Census Bureau's population FSCP provides either direct funding or field personnel from the Federal sponsor. Should a recommendation advising such support be adopted and implemented, the added assistance to States for applied population work will come as a mixed blessing, however. Attached will be the usual accountability requirements and even more confining specifications as to what the funds might be used for or what types of tasks the field personnel should undertake.

A third development also promises to alter the nature of the program. In recent years, four special interest subgroups of the FSCP were formed, concentrating on (1) estimates of demographic characteristics for States and counties (e.g., age, sex, race), (2) subcounty estimates (census tracts, Census County Divisions, and perhaps some population characteristics), (3) State population estimates, and (4) population projections for States and lower levels of geography. The subgroups have begun to operate but in a much different style than the umbrella FSCP organization. They are far less formal and, although chaired primarily by Census Bureau representatives, function in a much more decentralized manner than the FSCP. Their missions also differ significantly from the original motivation for the FSCP. The three new groups have a research orientation, with the joint production of standardized figures as something to be addressed later, if at all. They are exploring areas with a far smaller research foundation than the FSCP of the late 1960's and will necessarily progress more slowly. With a focus on research in new issues, and without the immediate pressures of impending legislation, there also is a noticeably more spontaneous spirit of exchange and cooperation as associates in professional research.

The potential is there, however, for direct pay-offs in terms of enhanced data of value to both the Federal and State participants. For example, some experimental but promising work is being done in developing reliable means for estimating age, sex, and race characteristics at the county level.

Similarly, the projections task force, prompted by the need to develop and improve subnational projections and by the sometimes conflicting work of Federal agencies, may elect to establish a projections cooperative program with its own equal standing relative to the FSCP for population estimates. These types of activities, in conjunction with the expanded municipal-level estimates for General Revenue Sharing, are transforming mutual Federal-State joint activities from an occasional contact arrangement into a more formal full partnership with almost daily exchanges of information.

Local Agencies

Reference to local agency population work so far has been limited to discussion of State-Federal ties, and has inferred that the influence of local (i.e., county or city) activities is left towhatever indirect impact local groups might be able to make through the State FSCP agency. To some extent this practice is followed as an intentional FSCP operating style that is, noninterference of the Census Bureau in the interaction of the State groups with their own city, county, and regional (multicounty) agencies. In some instances, the State-local relationship is a formal one similar to the Federal-State contact of the FSCP. This is the case, for example, in Virginia and New Jersey, where sub-State agencies with active population estimating interests meet both individually and collectively with the State FSCP agency to review input data, evaluate estimates, and generally to carry the FSCP activities the next step to the local level. Other States have more informal programs of contact with local areas that are equally as effective, but are less structured and are not formally constituted. In all cases, however, care is taken to assure that local areas continue to have direct access to Census Bureau work and personnel should they desire it, regardless of arrangements with the State FSCP agency.

Two additional recent activities in population estimates may stimulate at least a higher level of contact between State and local agencies, and may foster more serious and frequent direct ties between local analysts and Federal programs with which the Census Bureau deals. The first is a renewed commitment to research in estimating methodology at the Census Bureau. Research had been undertaken in earlier years leading up to the General Revenue Sharing program, but in recent years had given way to the pressures of implementing the data program. The resulting emphasis upon production of the estimates has been counteracted somewhat by the Revenue Sharing estimates becoming more assimilated as a routine part of the work program, but more importantly, by the establishment of an estimates research unit with the task of developing and testing new procedures or variations on old methods. The unit is currently working closely with the FSCP subgroup concerned with estimates of demographic characteristics for counties and States. It is also beginning to investigate the potential of other approaches as "new twists" in current population estimates. Many of their activities are in areas that earlier have also attracted the attention of local (i.e., sub-State) agencies and may have a considerable research backlog already available through researchers outside of the FSCP network or the Census Bureau. Even though there is a group at the Census Bureau devoted only to research concerns, the Bureau must continue to rely also on the findings of other projects and researchers. These types of common activities are obvious opportunities for expanding the range of Federal contacts to include local agencies more regularly, either through the FSCP system or directly. Involvement of research groups outside of the Census Bureau also has been expanded this year with arrangements for an American Academy of Science study evaluating our estimating procedures to augment our own accuracy tests.

A second development, the General Revenue Sharing program already mentioned earlier, also has served to increase direct contact with municipal and county analysts. For the first time, this year we invited comment and technical reaction from all 39,000 General Revenue Sharing units of government regarding their population estimates and background data directly and informally with us. This is in contrast with the two previous sets of estimates in which the challenge process involved only protests of the total figure formally through the Department of the

Treasury. Consequently, we have been in direct touch with approximately 1,000 more local areas this year than previously, with obviously beneficial results in many cases. In addition, regulations have just been drafted establishing a formal hearings process for local areas should the informal review not be satisfactory. Since our estimates rely upon only one method of estimation at this level of geography, a second estimate based on reliable local data is welcome. Although our evaluation studies indicate that, in general, the administrative records method used by us to develop municipal level estimates performs satisfactorily (see Current Population Reports, Series P-25, No. 699, forthcoming), the evaluations are poorest for small places. Since the predominance of areas fall in the smaller size categories (e.g., 51 percent of the incorporated places in the U.S. are below 1,000 population, and 81 percent are under 5,000 population), any additional assistance from auxiliary estimating procedures should enhance the quality of the final estimates. Of course, the proper measures must be followed to insure that the additional estimating techniques and their required data are of high quality or the estimate may, in fact, deteriorate from what would be obtained with a single method.

A related development that also will require a much closer and direct working relationship between Census Bureau and local analysts is a proposed system for local review of 1980 census counts prior to their public release. A preliminary review of counts for municipalities and census tracts that is usually performed by the Population Division staff in Washington will be carried out in 1980 by the local census office. Much of the review will incorporate data generated by local analysts for 1979 at the census tract level, or for 1980 where available. In the review process, local analysts will be asked to assist us in reconciling differences. Such double checking and confirmation of counts will both foster an increased demand for local population statistics and will prompt frequent interaction of Census Bureau and local researchers.

Projections

Many of the conditions present during the late 1960's and the early 1970's that brought about firm legislative and administrative action relying upon population estimates are also present now with respect to population projections. For example, the proliferation of projections in recent years has encouraged a concern for standardization of methods, data, philosophy of projections, and their underlying assumptions. In addition, the uses of projections have been altered from a casual exercise in background information to planning applications, and more recently to a central position in the qualification for funding by Federal projects. To date, only limited Federal legislation requires the use of projections for qualification or for use in distribution equations. The Environmental Protection Agency, for example, does fund projects and distribute funds on the basis of projections. The use of population projections in the allocation of funds in other programs, however, is a result of program administration rather than specific legislative provisions. Other currently active legislation provides for or encourages the development of population projections as a part of the programs, but does not base funding on them directly. Much of the Housing and Urban Development planning activity supported by 701 planning grants, for example, included work on population and related projections. The Housing and Community Development Act of 1974 (PL 93-383) continues that emphasis and similarly stipulates that population projections should be a core item in the comprehensive planning process supported by funding under the Act.

An even stronger provision is contained in the recent State and area health planning and resources development legislation of 1974 (PL 93-641). Health planning data at the county level and below are required, including population projections. The requirements are sufficiently demanding and the available data resources are so scanty, however, that the requirements were waived for a two-year period. Similarly, the Employment and Training Administration (ETA) is promoting an extensive manpower planning program for all Comprehensive Employment and Training Act (CETA) prime sponsors that relies upon a massive foundation of background information, including population projections. Recognizing the lack of such material presently, ETA is constructing their own data generation and projection capability through the Lawrence Berkeley Laboratories and will provide the material to the local CETA agencies.

In a 1975 survey of groups preparing local population projections, the Census Bureau identified approximately 45 city, county, and regional agencies, each one developing figures to satisfy an average of two pieces of Federal legislation. Of course, there is some indication that the agencies cite such legislation as support and justification for their research activities when compliance is not totally required and other projections may be available for the same area. Nonetheless, Federal legislation appears to reflect considerable interest in local projections, with a commensurate measure of local activity taking place in response.

Administrative practice has imposed some limitations on which projections may be used, however. For example, the Environmental Protection Agency stipulates that county and regional population projections from the Bureau of Economic Analysis (BEA) must be relied upon in application for "208" planning grants for water quality facilities management. Similarly, administration of section 201 provisions includes the use of BEA figures as controls for projections below the county level, with the actual development of subcounty projections often being carried out by private consulting groups. Variations from the BEA projections are tolerated only with sufficiently extensive documentation supporting alternative figures. The Department of Housing and Urban Development also suggests the consideration of BEA as at least one of the series of projections in local planning studies.

Other Federally-developed projections that are, or will be, available for similar applications are Census Bureau projections for States, and Department of Energy (DOE) projections for States and counties. The Census projections are an update of the 1972 work, with some extensions beyond the mere illustrative continuation of past trends. The DOE project is just beginning toward a goal of modeling energy requirements for States. The unit of analysis will be counties, however. The projection framework will allow a number of alternative scenarios and will permit some analysis of local economic, demographic, and related impacts.

Despite such widespread Federal activity in population projections in the past, there is only minimal interaction between the BEA, DOE, ETA, and Census studies, and only superficial involvement of local analysts. However, the recent use of projections in the waste water planning and management legislation has prompted both local and regional concern and has stimulated Federal action in establishing an adequate projections data base for both planning and current applications. For example, the Department of Commerce Office of Federal Statistical Policy and Standards is now investigating how a more united Federal approach to projections might proceed to resolve conflicting Federal-level projections and their use in program administration. In addition, a more formally organized FSCP cooperative program for projections may emerge from the current FSCP task force to assist in formulating and guiding a coordinated projections effort. Some progress along these same lines was made through a two-day conference in late 1977 sponsored by the American Statistical Association and the National Science Foundation. The conference resulted in recommendations for direction in blending economic and demographic projections and may prompt a Census Bureau "visiting scholar" position devoted to linking the two approaches.

Problems in the Use of Estimates and Projections in Funding Public Programs - At least five difficulties are encountered in attempting to base public grants-in-aid directly on population. First, in many cases the census data are badly out of date, but current estimates below the national level simply do not carry the degree of detail necessary to be useful in the allocation of funding. In other instances, current information is available for some types of areas but is only experimental for others, without much promise of change due to the lack of adequate methods or the means to thoroughly test newly developed techniques until a complete census in 1980.

Second, there is the more serious concern for tardiness and deterioration in the quality of the background data required by current techniques. In recent years, usually reliable data series have been more difficult to obtain and have contained more obvious problems of comparability than previously. Unless checked, this may result in abandonment or rather serious revisions in current estimation techniques. Otherwise, both the estimates and the programs upon which they are based may suffer from a lack of timeliness, and significant and inappropriate shifts in pattern may occur. Efforts are being made both through the FSCP agencies and by direct contact between the Census Bureau and the original data sources to improve both the timing and quality of the information. As an interim solution, the final data points for some series may be estimated.

Third, the application of estimates and projections to establish population threshholds for program qualification should be reexamined. Although both estimates and projections contain some measure of error, most areas penetrate population threshholds (e.g., 100,000 population for Comprehensive Employment and Training Act prime sponsor status) while showing a quite definite population growth or decline trend. The margin of expected error involved in the population figures should serve only to advance or postpone the eligibility or disqualification date by a year or so. There are some areas, however, that hover around the threshhold level, cycling just above or below the critical level in successive years. Clearly, the unconditional use of the population figures is hazardous in such cases.

Fourth, the underlying philosophy guiding projections, the procedures for developing the projections, and their interpretation must be altered. For years both population researchers and the users of their analyses were absorbed in the issue of accuracy. The record of projections work has not been particularly favorable in correctly anticipating future population levels. It is in some sense, however, the intent of projections to be inaccurate. For example, there are two competing reactions to projections;the first emphasizing the need to plan for the anticipated patterns of change, but the second an expression of alarm, with corresponding actions instituted to avoid projected-unfavorable conditions. Social and economic planning has progressed to a point at which integrated demographic and economic modeling should be viewed and applied as a planning tool for setting target public policies and expenditures rather than as a means permitting unconditional statements of things to come. This approach might also make the results more attractive for use in the allocation of funds in the interim.

Finally, the problem of undocumented aliens that has arisen in earlier testimony and Select Committee deliberations is a factor for local area work also, in fact, perhaps more so than at other levels of geography. These are the types of areas where program allocations are based rather directly upon population for some programs, and each person represents added benefits ranging from Federal General Revenue Sharing to the determination of local sheriff's salaries and the number of liquor stores allowable.

Currently, legal immigrants are allotted to the location stated to the Immigration and Naturalization Service (INS) as the immigrants intended place of residence at the time of entry and are subsequently treated in later years by the estimating systems as any other resident (i.e., exposed to the possibility of births, deaths, and further migration). Undocumented aliens are ignored in the estimation and projections work even at the national level due to the lack of firm estimates. There is a similar absence of information concerning emigration. Nonetheless, there appear to be only two efforts planned or under way to increase the undocumented aliens information base; (1) the INS household survey, and (2) a joint INS-Census Bureau analysis of characteristics for apprehended undocumented aliens. Although it is doubtful that either study will serve as the final definitive piece on estimating undocumented aliens for local areas, they are at least efforts in the right direction. The role of local or State researchers is unclear on this issue, and it is not entirely evident that the problems are solvable from any combination of perspectives and approaches, but an overall research strategy for preparing credible and defensible subnational estimates of emigration and undocumented immigration is badly needed. Any assistance available from State and local researchers concerning these issues, I can promise, would be received warmly.

Demographic Data Needs for State and Local Governments

William J. Serow, Ph.D.
Research Director

Julie H. Martin, Ph.D.
Research Associate

Population Studies Center
Tayloe Murphy Institute
University of Virginia

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Introduction

In order to deliver services at present and to plan for the delivery of these services in the future, state and local governments are in increasing need of uniform and reliable demographic data. Needless to say, a profusion of data is available from the decennial census of population and housing, but these data become increasingly out of date as the following census approaches. The introduction of the mid-decade or quinquennial census in 1985 will be of some help in this regard, but the precise role that the mid-decade census will play in meeting the demographic data needs of state and local governments will depend upon decisions concerning content and extent of coverage of this census, which is expected to be more limited in scope than the decennial census.

Information on the current and prospective size, characteristics, and demographic behavior of their constituents are needed by state and local governments.

Total Population Size

Current estimates of total population size for states are prepared on an annual basis by the U.S. Bureau of the Census. Using a proven and uniform methodology for all states, the Bureau is able to provide timely and accurate estimates of the total population of each state and the District of Columbia. This is a data need which is being adequately met and should be continued.

At the substate level, there are two sets of current population estimates produced for counties and county equivalents by the Census Bureau. These are produced in cooperation with participating state-designated agencies, the degree of participation varying from state to state. The first of these sets of estimates are those produced by the Federal-State Cooperative Program for Population Estimates (FSCP). The objective of this program is the development and publication of estimates for the total population of counties and county equivalents using uniform and mutually agreed-to procedures standardized for data input and methodology.[1] The choice of methods is the result of rigorous testing of these methods against the results of the 1970 census of population.[2]

The FSCP is a significant means to permit states to play a crucial role in meeting their own demographic data needs. The importance of current estimates of total population at the county level--for revenue distribution, assessing changes in demographic behavior, and the like--should be unquestioned. Yet, compared with other federal-state cooperative statistical programs (such as labor force, unemployment, vital statistics, and numerous others[3], the FSCP is given short shrift in that no federal assistance in the form of funds or field personnel is available to cooperating state agencies. Such assistance would seem essential if necessary developments in FSCP, as outlined below, are to come to fruition.

The second set of county population estimates produced by the Bureau of the Census are those prepared in compliance with the State and Local Fiscial Assistance Act of 1972 (federal revenue sharing). Since cities, towns, villages and the like are eligible for these funds, it is necessary to provide estimates of their populations. The FSCP program, however, is not designed to operate at the sub-county level; moreover, county and county equivalent FSCP estimates are produced too late in the year to meet the needs of the revenue sharing program. This situation creates needless duplication and confusion, as there are now two current estimates of the population for each county in the United States produced wholly or in part by the Bureau of the Census, and these estimates are not necessarily identical. The cause of this would appear to be primarily the temporal requirements for the production of revenue sharing estimates. While the nature of the data required by the methodology is such that federal employees must produce the estimates for sub-county areas, it would seem logical that these could be tied to FSCP-derived estimates at the county level if problems of timing could be resolved. Greater efficiency in terms of time, money, and elimination of confusion would result from such coordination.

There is considerable need for estimates of population for areas below the county level. To some extent, this need is met by the revenue sharing estimates for incorporated places and active minor civil divisions, but many cities are interested in developing population estimates for census tracts or internal service areas (school districts, traffic zones, and the like). Unfortunately, it is difficult to suggest uniform procedures which could be the subject of a research effort to determine the feasibility of such estimates due to the wide variance in the quality and quantity of data available for these areas. A special task force of FSCP is working in this area, and the activities of this group should be encouraged and supported.

In contrast to what might be a superfluity of current population estimates at the county level, there do not presently exist uniform and reliable projections for counties or county equivalents. Yet, to an increasing extent funding for programs such as water and sewer installation depends not on estimates of current population but on projections of future population. All or nearly all states produce at least one set of projections at the county level, but methodology varies so widely from state to state that comparison and evaluation are impossible. Attempts to link these to national level projections of population or to uniform projections at the state level are severely hampered by the existence of overlapping and conflicting state level projections produced by different federal (and private) agencies.[4]

Thus, development of uniform population projections at the sub-state level first requires identification of appropriate state level projections as well as agreement on one or more uniform methodologies for producing projections. Numerous projection techniques exist,[5] but at present attention seems to be concentrated upon economic-demographic interaction models.[6] Unfortunately, evaluation of methodologies for projection is not as simple as for alternative estimating methodologies. A great deal of research is needed to explore further and evaluate different methods of projection. An ideal vehicle for this effort might be the emerging FSCP program in county level projection procedures.

There has also been some interest in projections of population for areas as small as census tracts or minor civil divisions.[7] These tend to be based primarily upon land use and population density considerations. While the development of these may be important for local planning purposes, efforts in this direction are hindered by the data problems mentioned for population estimates. Further development in this area should probably await needed research into appropriate methodology and model design for state and county level projections.

Demographic Characteristics

Although estimates and projections of total population for state and local government are absolutely necessary it may not be too much of an overstatement to assert that estimates and projections of the distribution of population by the basic characteristics of age, race, and sex are equally important. Many program areas--education, old age assistance, and the like--are, after all, targeted to specific population groups. Furthermore, the availability of such data at the state and local level is essential for intercensal tracking of changes in demographic behavior. The measurement of fertility, cause-specific incidence of mortality, and migration patterns are all instances where rapid change has been occurring since the date of the previous census. Yet precise measurement of trends, particularly at the local level, is made very difficult by the absence of uniform estimates of demographic characteristics.

The Bureau of the Census has played a leading role in the development and publication of estimates of demographic characteristics at the state and local level. At the state level, the Bureau has regularly published annual estimates of the population by age[8] and has recently initiated, on an experimental basis, the publication of estimates by race.[9] The commitment of the Bureau to such activities is underscored by the recent establishment of an estimates research unit within the Population Division of the Census.[10] In conjunction with this commitment, a task force of FSCP has been formed to evaluate alternative methods of providing current estimates of demographic characteristics at the county level. As an outgrowth of this activity, the Tayloe Murphy Institute is now able to produce estimates of population by broad age groups and by race for Virginia localities,[11] using methods analogous to those employed in estimating total population and with acceptable margins of error. Unfortunately constraints of data availability and funding have thus far precluded the extension of these estimates to include greater detail, though local areas have frequently indicated a need for such detail.

With additional research efforts, however, it seems likely that uniform, consistent, and reliable estimates of demographic characteristics at the substate level can be produced for all counties in the nation, possibly through the FSCP. A great deal of work needs to be done on evaluating alternative approaches to this problem. The Bureau of the Census, for example, has produced one set of such estimates under contract to the National Cancer Institute. These estimates employ standard demographic projection techniques. Similar efforts have been undertaken in a few states.[12] Whether this approach produces superior results to those obtained by regression-based estimates or other techniques is one question which needs to be addressed.

A great deal of data which could be employed in developing such estimates is present in various types of administrative records. Again, this sort of effort is typified by the development, at the Bureau of the Census, of the so-called administrative records method, which employs a matched sample of federal income tax returns. Another innovative use of administrative records for estimating purposes is the use of address change data generated from drivers' license files to estimate migration.[13] This approach has been developed by the Population Research Unit of the California Department of Finance. Other types of records such as school enrollment, employment, medicare recipients, and the like could be coupled with tax records and vital statistics to provide estimates of the relative size of various age groups. The immediate difficulty is, of course, that in most cases existing data files are not properly structured to yield information in the appropriate manner and the reformatting of these records is often a costly and time consuming process. In any event, rigorous testing of alternative estimating methodologies, analogous to those conducted for estimates of the total population, is necessary before the widespread adoption and use of any method or set of methods can be employed.

Methods for the projection of demographic characteristics have been in extensive use for a considerable length of time. The crucial issue for any projection, be it only total population or a complete age-race-sex distribution, is the assumptions that underlie the projection. Assuming that the arithmetic is done correctly, any projection must be correct in a narrow mathematical sense. Making appropriate assumptions about demographic behavior has, however, been proven extremely difficult in the past, and attempts to explain and predict demographic behavior have been the focus of much of the research sponsored by the Center for Population Research of the National Institute of Child Health and Human Development.

At the national level, fertility is by far the most volatile and difficult component of population change to capture in a projection series. For this reason, alternative fertility assumptions are customarily made and alternative population projections produced.[14] Below the national level, however, fertility and migration are both extremely important determinents of change in total population and in the demographic characteristics of that population. In recent years, as fertility rates have declined precipitously, migration has been playing a larger and larger role in explaining interstate and intercounty variation in population growth rates and changes in composition. Yet realistic projections of migration are generally not amenable to treatment by standard demographic techniques such as cohort-component and the like. It is here that further development of economic-demographic interactive models is urgently needed. The basic approach recognizes that much migration activity is economically motivated (other migration--for retirement, college attendance, military service--can be dealt with separately, as needed). Therefore projections of employment (labor demand) can be linked with projections of indigenous labor supply (from conventional demographic models) to produce induced migration flows. Unfortunately, because the approach outlined here is primarily labor market oriented, consistent projections at the county level may not be readily attainable for those counties which exist as part of a larger labor market area. In any event, because migration is heavily age-dependent[15] and because age-selective migration will have implications for future fertility behavior in the areas of origin and destination,[16] the development of models successfully linking the economic and demographic sectors is crucial for projections of both total population and the demographic characteristics of these populations.

Demographic Behavior

By demographic behavior we refer to those demographic events about which individuals make or could make conscious decisions. Fertility and migration would certainly fall under this rubric, and considerations regarding these variables have been discussed previously. Variables that come into consideration here refer to household formation and factors which influence the size and number of households.

Since 1970 the number of households has increased rapidly--by 17 percent as of March 1977 (versus 6 percent for total population) while the number of persons per household has declined by nine percent.[17] These trends can be attributed to changing age composition of the population, delay of marriage, increasing incidence of divorce, and declining fertility. From the expanded version of the Current Population Survey and the 1976 Survey of Income and Education, data on the size and composition of households are or will soon be available for states and selected large metropolitan areas. Below this level of geography, though, such data become impossible to obtain.

Household data of this sort are extremely important for analysis of housing demand by type at the state and local level. As characteristics of households change--by age and sex of head, family size, number of dependents, and the like--the number and type of housing units required as well as the location of these units within the state or locality is likely also to change. Current estimates are needed not only to assess the current situation but also to plan for future needs.

Data at the local level on the incidence of marriage and divorce, and on births and deaths are readily available through state departments of health and the National Center for Health Statistics. These provide part of the needed data input for estimating number, size, and composition of households at the local level. Other needed data may be available through the collection and analysis of housing unit construction data. Such data are not uniformly available in all states, but a program initiated in Virginia last year could conceivably serve as a model for efforts of this sort. A complete description of this effort, termed the Virginia Housing Data Bank, is attached as Appendix A. Briefly, when this program is fully operational, it will become possible to determine the monthly change in housing stock, at the county level, by type of unit (single family, duplex, multi-unit) and by intended tenure status. Furthermore, the basic data input is now the certificate of occupancy, so that the upward biases inherent in the reporting of building permits (that is, authorizations to begin construction) are largely eliminated.

The basic working hypothesis in utilizing these housing data to estimate household characteristics states that there will be a direct and measurable relationship between number and type of units and the number and type of households. At the simplest level, one might argue that relatively large increases in the number of units in multi-unit structures would suggest relatively large increases in the number of smaller families (including childless couples), as well as in the number of primary individuals (one-person households). Results of work based on this hypothesis would then be coupled with detailed age-specific fertility, mortality, marriage, and divorce analyses to elaborate further the detail of the estimates. The latter step would presuppose the existence of detailed estimates of demographic characteristics at the local level, as discussed previously. It should be stressed that to operationalize such a program requires the use of scarce resources of time and money which are not available to many agencies working in this area.

Summary and Conclusions

In a very broad sense, this paper identifies three sorts of demographic data required at the state and local levels on a current and prospective basis. The needs for these data are being met to varying degrees. Current estimates of total population at the state level are well supplied; current estimates of total population at the substate level are excessively supplied as alternative estimates are produced for the same year; projections of total population at the state level are also excessively supplied, since duplication exists; projections of total population at the substate level are not supplied in the sense of being uniform and internally consistent.

Current estimates of demographic characteristics at the state level are presently well supplied, and the Bureau of the Census should be encouraged to Continue its work on state-level estimates of racial groups; current consistent estimates of demographic characteristics at the substate level are not supplied; consistent projections of demographic characteristics at both the state and substate levels are not supplied. Even where demographic characteristics are supplied, there is considerable need for greater detail that is currently available, in terms both of estimates and projections.

Estimates of demographic behavior leading to changes in the distribution of population, household size, and composition are now becoming available at the state and local level. First should be continued support for the ongoing estimates and projections programs at the Bureau of the Census, along with some means of eliminating the duplication of effort in current estimates at the county level and current projections at the state level. Second should be support for state agencies in FSCP and possibly others to permit them to develop and test new methods and variants of methods that would not only produce reliable and uniform estimates and projections for their states, but would also have some degree of transferability to other states. Such support might include funds to permit state agencies with a primarily administrative function to provide data to the FSCP agency in usable form. Additional support would also be helpful to facilitate annual meetings of participants in such an expanded program to exchange new ideas and approaches. At the present time any such meetings must be funded by individual agencies, since no other funding is available, and this lack is a serious obstacle to such exchange. The upgraded status of the Caucus of State and Local Demographers of the Population Association of America to committee status and the continued strong interest in state and local demographic issues in the Southern Regional Demographic Group suggest that these organizations might serve as vehicles for such meetings. Finally, continued support of sponsored demographic research by federal agencies, particularly the Center for Population Research, is essential to understand the determinants of demographic behavior. An increased emphasis on the applicability of these findings to the problem of estimating and projecting size and characteristics of population at the state and local level would also seem to be in order.

FOOTNOTES

1. U.S. Bureau of the Census, "Estimates of the Population of Virginia Counties and Metropolitan Areas: July 1, 1975 (Revised) and 1976 (Provisional)," Current Population Reports, Series P-26, no. 76-46, September 1977.

2. U.S. Bureau of the Census, "Federal-State Cooperative Program for Local Population Estimates: Test Results-April 1, 1970," Current Population Reports, Series P-26, no. 21, April 1973.

3. Frederick J. Cavanaugh, "The Perspective of the Federal Government," pp. 41-55 in Perspectives on State Demographic Activities.

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4. David J. Bjornstad, Clifford H. Patrick, and Kathryn P. Nelson, State Population Projections: A Comparative Review of National Series and Their Practical Usefulness, Oak Ridge: Oak Ridge National Laboratory, 1975; and Peter A. Morrison, "Forecasting Population of Small areas: An Overview," pp. 3-13 in Population Forecasting for Small Areas, Oak Ridge: Oak Ridge Associated Universities, 1977.

5. These are outlined in Donald B. Pittenger, Project State and Local Populations, Cambridge Ballinger, 1976 and Richard Irwin, Guide for Local area Population Projections, Washington: U.S. Bureau of the Census, 1977 (Technical Paper 39).

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Appendix A

INFORMATION SYSTEM INPUTS
TO
POLICIES, PLANS, and PROGRAMS

VOLUME III
CONTRIBUTED PAPERS

Papers From The
Fifteenth Annual Conference
Of The
Urban and Regional
Information Systems Association
August 07 - August 11, 1977, Kansas City, Missouri

EDITOR:

Barry S. Wellar
Ministry of State for Urban Affairs
Ottawa, Canada

J. Thomas Lindley
Revenue Resources and Economic Commission,
Commonwealth of Virginia

Millard Stith
Virginia Office of Housing

William J. Serow and Merry Kay Shernock
Tayloe Murphy Institute,
University of Virginia

THE VIRGINIA HOUSING DATA BANK

ABSTRACT: This paper reports on a new program designed to obtain data on housing construction and changes in housing stock for all cities and counties in the Commonwealth of Virginia. The program utilizes forms filled out monthly by local building officials. These reports contain not only data on units authorized for construction and demolition, but also information regarding occupancy permits, conversions to/from residential use, mobile units, and a classification of new units according to seasonal/year-round status Once this program becomes firmly established it will be possible to provide a monthly update on the actual housing stock in each jurisdiction in the state.

INTRODUCTION

The housing needs of Americans are of interest to many. Many, too, have an interest in assessing how the housing needs are being met. Both the public and private sectors have need for data documenting housing stock that are accurate, up-to-date and readily accessible. State, regional and local planning bodies require housing data to meet the requirements of HUD Assistance Plans and to successfully apply for other federal monies. The building trades, the utilities, the banking institutions of the state and others all call for housing data to assist in forecasting business trends, to develop marketing strategies and evaluate proposed investments.

In Virginia, the State Office of Housing recognized that the Commonwealth had no mechanism by which the construction, renovation, conversion or demolition of housing stock could be immediately gauged. Further, there was no way of determining how much of the current housing stock was available for rent, nor how much was suitable only for seasonal habitation. A cursory examination revealed that no other state had a means of gathering this information either. Up until 1977, the only information available to Virginia and most other states on all these aspects of housing stock was published by the United States Bureau of the Census in the Monthly C-40 Reports of Housing Units Authorized and the decennial census. The decennial census data is obviously out-of-date by the middle of the decade at least; the C-40 Reports, although more current, are misleading for three reasons.

First, many localities do not file the report or do so incompletely. Second, the reporting of building permits only may be misleading if other information of actions impacting of the number of permit applications is not also considered. For instance, it is often the case that there will be a "run" on the local building official's office whenever a locality even considers new zoning policies or amendments to existing policies affecting lot size, density and other land uses. As a rule, many of the housing units proposed under these circumstances are never actually constructed. Third, building permits do not indicate the actual number of persons who may occupy a building. Long-term demographic trends, such as the diminishing size of households, therefore, are not reflected in the building permit reports.

Ideally, then both the public and private sectors would like to know, not only how many housing units are being planned, but also how many are actually build, how many people could be housed, whether the occupants own or rent the units, whether the units are only for seasonal occupancy and whether these units are in newly built structures or older buildings converted from other uses. In addition, it would be good to know how many housing units are in fixed structures and how many are in mobile homes. Finally, it would be helpful to know how many units are demolished so that an accurate assessment of the existing housing stock could be made.

The housing data bank, newly created by the Virginia Office of Housing and the Tayloe Murphy Institute of the University of Virignia is an attempt to meet all these needs. In the remainder of this paper, the structure of the data bank and the way it can be used will be reviewed. The problems encountered in establisheing the reporting procedure and the ways these were overcome will also be discussed. Finally, the projected utility of the data after the 1980 census will be evaluated in the summary.

MECHANICS

The cornerstone of the housing data bank is Form 1-B (see Appendix 1), The monthly report made by the building official in each of the 95 counties and 41 independent cities in the Commonwealth. In addition, several incorporated towns make monthly reports, although this has not been required of them. The objective in designing Form 1-B has been to facilitate the reporting process in every way possible. To this end, the form has been made as simple as possible while still allowing for the collection of all the data necessary to make the data bank complete.

Form 1-B is composed of three sections. The first section deals exclusively with construction permits and notes both the number of buildings as well as the number of housing units authorized within the reporting month. This part of the form is not substantially different from the Census Bureau Form 404, which most of the local building officials are accustomed to using.

The second part of the form is the most vital as far as the objectives of the data bank are concerned. In this section, the number of housing units actually constructed or converted from nonresidential uses is detailed. Here, the local official is also asked to note if the units are in conventional structures or in mobile homes. S/he is also asked to note if the units are owner or renter occupied and if the units are for seasonal use only.

Section III deals with losses in the housing stock. In this section, conversions from residential to nonresidential use are noted plus the demolition of structures that were previously used as dwelling units. As in Sections I and II, both the number of buildings and the number of housing units contained therein are noted.

After working with Form 1-B for a few months, the need for a few modifications has become apparent. First of all, there is some ambiguity about the reporting of mobile homes. Some jurisdictions issue building permits for mobile homes and some local officials have been unsure whether to report these separately or add them to the number of conventional single family buildings and units authorized. We have asked them, at this time, to note the number of permits issued for mobile homes separately so that there will be no doubt when the monthly tabulations are totaled. Modification in Form 1-B will be introduced once total participation (90%) is achieved.

PARTICIPATION AND THE REPORTING PROCESS

At the inception of the housing data bank project, a housing program supervisor was hired by the Virginia Office of Housing and charged with the responsibility of bringing all the localities into full participation in the project. The importance of the housing program supervisor to the successful implementation of the project cannot be ignored. Without his efforts to supplement the initial reporting plan, it would not have been possible to enlist the participation of nearly all 136 cities and counties in Virginia.

According to the original design of the project, the reporting process is to be conducted via the offices of the twenty-two sub-state regional planning district commissions (PDCs). The Virginia PDCs, to explain only briefly, were created in 1968 by the Virginia Area Development Act. They are composed of local elected officials, who constitute a majority, and citizen members. Each commission hires an executive director whose relationship to the commission is very similar in theory, at least, to the relationship between a city or town manager and the council. The executive director hires administrative, planning and clerical staff to perform the commission's work. The purpose of the Virginia PDC is to promote regional cooperation, to coordinate the activities and policies of member local governemnts and to provide planning assistance to local governments. In all their activities, the main theme of the PDC is intergovernmental cooperation.

As the housing data bank project got underway, the program supervisor met with each of the PDCs and informed them of the project objectives and benefits and asked them to assist him in arranging meetings with the local building officials. During these meetings, the housing program supervisor would introduce the project and Form 1-B. The local building officials were then instructed to mail monthly reports to their regional planning district office which would, in turn, forward the reports to the housing office and from there, the reports would be sent to the Tayloe Murphy Institute for tabulation. This reporting procedure was selected because it is the best way to keep all parties informed of housing developments in their region.

Because the Virginia PDCs do not always realize their potential as agents of intergovernmental planning and coordination, however, this procedure was implemented in only eleven of the twenty-two planning districts. There are probably several reasons why the procedure does not work in the other eleven districts. In the main, however, these PDCs appear to be less able to overcome obstacles posed by their structure and the way they are funded.

The Virginia PDC is not invested with any implementation powers worth mentioning. The ability to effect changes of any kind is further limited by financial restraints. The commissions are financed by a combination of local, state and federal funds. The size of the budget, however, is largely dependent upon the willingness of the localities to contribute. Some commissions receive as little as 20 cents per person while others receive as much as 60 cents per person from the localities they serve. In a very real way then, the ability of the PDC to effectively coordinate the activities of the localities depends almost entirely upon the willingness of the localities to be coordinated. Without either carrots or sticks, the Virginia PDC is unable to make substantial changes if these changes are resisted by the localities.

The impotence of some of the PDCs to either coerce or induce participation in the housing data bank project appears to be further exacerbated by the fact that housing itself is a sensitive subject. In several planning districts there is no separate office dealing exclusively with housing. Rather, housing is usually lumped together with other sensitive issues in an office or department of "Human Resources." These offices are then usually staffed in such a way as to insure that the controversial issues will remain in the background.

When problems were encountered at the planning district level, the housing program supervisor went directly to the local building officials. In many cases, the project was quickly accepted and the reporting procedure initiated immediately after one telephone call. In other cases, the program supervisor encountered some reluctance to participate in the project which was expressed in a number of objections. The most common objection focused on the possibility of a duplication of reference efforts. While admitting that there may be a little duplication, especially with that section of the form dealing with building permits, it was explained that all duplication is not necessarily bad and that the benefits far out-weighed the small amount of duplication that may occur.

A second objection referred to manpower problems. Recognizing that many building officials, especially in the smaller rural jurisdictions, serve as their own clerk typist, it was explained that Form 1-B involves very little administrative effort. Other problems arose when the local officials noted that not all the data requested are available. This is particularly true of the certificates of occupancy. Many building officials said they did not issue occupancy permits for a variety of reasons: manpower shortages, difficulty of enforcement; e.g., the local judge does not, to the satisfaction of the local building official, punish violators for non-compliance, and so on. In rural areas, it was pointed out that there are many homeowner-builders who make the problem of noncompliance especially great.

To rebut these objections, the supervisor reminded the local officials that the Virginia State Housing Code requires that occupancy certificates be issued. To facilitate enforcement, it was suggested that local building officials enter into agreements with the local lending institutions and the utility companies requiring a certificate of occupancy before service could be rendered. Finally, the supervisor pointed out that the housing data bank project could help local building officials fight their battles for compliance and greater manpower. If the local building official has problems with compliance or manpower shortages, these would be clearly documented when his jurisdiction was compared to others in the monthly statewide reports. The housing data bank, then, was presented to local building officials as another possible way to make their case before the local governing body for budget increases and stricter compliance with the state code.

These suggestions illustrate the potential of procedure, if used creatively, to meet a variety of substantive ends. By redefining a situation, it is often possible to accomodate opposing positions and thereby achieve a dynamic of change. Procedure, although often maligned, can be the best way to redefine conflictual situations because it has the appearance of being neutral. Procedure translates concessions of substance into terms which can be mutually rationalized.

SUMMARY AND PROJECTIONS

At present, very nearly all 136 counties and independent cities have started to file Form 1-B monthly. The Tayloe Murphy Institute has developed computer programs which tabulate monthly and year-to-date totals for both localities and planning districts and these reports are made to the Virginia State Office of Housing at regular intervals.

In Appendix 2, samples of the monthly data bank report for both localities and planning districts are given. A code sheet which explains the abbreviated column headings is also included. The tabulations for both localities and planning districts are given in the reports in the same order as they appear on Form 1-B; that is, authorizations for building permits appear first, followed by the occupancy permit data and ending with the conversions and demolitions data. The localities are arranged in planning district order, a practice that conforms to the other housing data bank procedures mentioned above. Since this format also is followed in other Tayloe Murphy Institute publications as well, most data bank participants should be well acquainted with it.

In the fall, the Tayloe Murphy Institute will begin publishing quarterly totals for localities and planning districts which will be available to both local and planning district officials as well as state officials. These reports will serve as a supplement to the quarterly Reports of Housing Units Authorized which are compiled by the Tayloe Murphy Institute from copies made available by the U.S. Census Bureau of Monthly 404 Reports of Building Permits Issued. If they prove to be as reliable as is now anticipated, the quarterly housing data bank reports will serve as the single source of housing data for local, state and federal needs.

After the 1980 decennial census of housing stock in the state, the Virginia housing data bank will provide a way to monitor on a continuous basis the changes in composition of the state's housing stock. At that time, it will be possible for the first time in Virginia to know almost exactly and immediately what housing is being planned, what is currently available to citizens of the Commonwealth, its condition and location. Planners at the local, regional and state level in both the public and private sectors will then be able to more accurately anticipate future housing needs and take steps to meet those needs. Additionally, the availability of housing data by type of unit, in place and certified for occupancy will ensure a much greater applicability of housing data for the purposes of inter-censal estimation of the population of the state.

APPENDIX 1

MONTHLY REPORT OF THE LOCAL BUILDING OFFICIAL

Local Jurisdiction ____________________

Date ____________________

Address ____________________

Period ____________________

Person Reporting ____________________

SECTION I
BUILDING PERMITS EXCLUDING ADDITIONS AND ALTERATIONS, BUT INCLUDING CONVERSIONS TO DWELLING UNITS

	BUILDINGS	UNITS
Single Family		
Two-Family		
Multi-Family		
TOTAL		

SECTION II
OCCUPANCY PERMITS

	BUILDINGS	UNITS	RENTAL	OWNER	SEASONAL
Single Family					
Two-Family					
Multi-Family					
Change of Use*					
Sub-Total					
Mobile Homes					
TOTAL					

SECTION III
CONVERSIONS AND DEMOLITIONS

	BUILDINGS	UNITS	RENTAL	OWNER	SEASONAL
Units Converted From Residential to Non-Residential					
Demolitions					

* Non-residantial to residential

APPENDIX 2

HOUSING DATA BANK OUTPUT: CODE BOOK

CASE-NO	case number (1-136)
LOCLNAME	locality name
BPSFBDGS	building permits--single family buildings
BPTFBDGS	" " " "--two family buildings
BPMFBDGS	" " " "--multi-family buildings
BPTLBDGS	" " " "--total buildings
BPSFUNIT	" " " "--single family units
BPTFUNIT	" " " "--two family units
BPMFUNIT	" " " "--multi-family units
BPTLUNIT	" " " "--total units

OPSFBDGS	occupancy permits--single family buildings
OPTFBDGS	" " " "--two family buildings
OPMFBDGS	" " " "--multi-family buildings
OPCUBDGS	" " " "--change of use buildings
OPSTBDGS	" " " "--sub-total buildings
OPMHBDGS	" " " "--mobile home buildings
OPTLBDGS	" " " "--total buildings

OPSFUNIT	occupancy permits--single family units
OPTFUNIT	" " " " --two family units
OPMFUNIT	" " " " --multi-family units
OPCUUNIT	" " " " --change of use units
OPSTUNIT	" " " " --sub-total units
OPMHUNIT	" " " " --mobile home units
OPTLUNIT	" " " " --total units

OPSFRENT	occupancy permits--single family rentals
OPTFRENT	" " " " --two family rentals
OPMFRENT	" " " " --multi-family rentals
OPCURENT	" " " " --change of use rentals
OPSTRENT	" " " " --sub-totals rentals
OPMHRENT	" " " " --mobile home rentals
OPTLRENT	" " " " --total rentals

OPSFOWNR	occupancy permits--single family owner occupied
OPTFOWNR	" " " " --two family owner occupied
OPMFOWNR	" " " " --multi-family owner occupied
OPCUOWNR	" " " " --change of use owner occupied
OPSTOWNR	" " " " --sub-total owner occupied
OPMHOWNR	" " " " --mobile home owner occupied
OPTLOWNR	" " " " --total owner occupied

OPSFSEAS	occupancy permits--single family seasonally occupied
OPTFSEAS	" " " " --two family seasonally occupied
OPMFSEAS	" " " " --multi-family seasonally occupied
OPCUSEAS	" " " " --change of use seasonally occupied
OPSTSEAS	" " " " --sub-total seasonally occupied
OPMHSEAS	" " " " --mobile home seasonally occupied
OPTLSEAS	" " " " --total seasonally occupied

CONVBDGS	conversion buildings
DEMOBDGS	demolished buildings
CONVUNIT	conversion units
DEMOUNIT	demolished units
CONVRENT	conversion rentals
DEMORENT	demolished rentals
CONVOWNR	conversion owner occupied
DEMOOWNR	demolished owner occupied
CONVSEAS	conversion seasonally occupied
DEMOSEAS	demolished seasonally occupied

-0 = did not report
0 = total number reported was zero
-1 = report not complete: data either unavailable or illegible

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JANUARY HOUSING DATA FOR LOCALITIES                                        05/13/77      PAGE  1-1

FILE    NONAME    (CREATION DATE =  05/13/77 )

   CASE-NO  LOCLNAME  BPSFBDGS  BPTFBDGS  BPMFBDGS  BPTLBDGS  BPSFUNIT  BPTFUNIT  BPMFUNIT  BPTLUNIT

         1  LEE             6.         0         0        6.        6.         0         0        6.
         2  SCOTT            0         0         0         0         0         0         0         0
         3  WISE            5.         0         0        5.        5.         0         0        5.
         4  NORTONC         -0        -0        -0        -0        -0        -0        -0        -0
         5  BUCHANON         0         0         0         0         0         0         0         0
         6  DICKENSN        -0        -0        -0        -0        -0        -0        -0        -0
         7  RUSSELL         3.         0         0        3.        3.         0         0        3.
         8  TAZEWELL        6.         0         0        6.        6.         0         0        6.
         9  BLAND           -0        -0        -0        -0        -0        -0        -0        -0
        10  CARROLL         -0        -0        -0        -0        -0        -0        -0        -0
        11  GRAYSON         -0        -0        -0        -0        -0        -0        -0        -0
        12  SMYTH           -0        -0        -0        -0        -0        -0        -0        -0
        13  WASHNGTN        -0        -0        -0        -0        -0        -0        -0        -0
        14  WYTHE           -0        -0        -0        -0        -0        -0        -0        -0
        15  BRISTOLC        -0        -0        -0        -0        -0        -0        -0        -0
        16  GALAXC          -0        -0        -0        -0        -0        -0        -0        -0
        17  FLOYD           -0        -0        -0        -0        -0        -0        -0        -0
        18  GILES           5.         0         0        5.       -1.         0         0       -1.
        19  MONTGOMY        -0        -0        -0        -0        -0        -0        -0        -0
        20  PULASKI          0         0         0         0         0         0         0         0
        21  RADFORDC        2.         0         0        2.        2.         0         0        2.
        22  ALLEGHNY        -0        -0        -0        -0        -0        -0        -0        -0
        23  BOTETOUT        -0        -0        -0        -0        -0        -0        -0        -0
        24  CRAIG           -0        -0        -0        -0        -0        -0        -0        -0
        25  ROANOAKE        -0        -0        -0        -0        -0        -0        -0        -0
        26  CLIFTFGC        -0        -0        -0        -0        -0        -0        -0        -0
        27  COVINGTC        -0        -0        -0        -0        -0        -0        -0        -0
        28  ROANOKEC        -0        -0        -0        -0        -0        -0        -0        -0
        29  SALEMC          -0        -0        -0        -0        -0        -0        -0        -0
        30  AUGUSTA        10.         0         0       10.       10.         0         0       10.
        31  BATH            -0        -0        -0        -0        -0        -0        -0        -0
        32  HIGHLAND        -0        -0        -0        -0        -0        -0        -0        -0
        33  ROCKBRDG        -0        -0        -0        -0        -0        -0        -0        -0
        34  ROCKINGH        -0        -0        -0        -0        -0        -0        -0        -0
        35  BUENVISC        -0        -0        -0        -0        -0        -0        -0        -0
        36  HARRSBGC        -0        -0        -0        -0        -0        -0        -0        -0
        37  LEXNGTNC        -0        -0        -0        -0        -0        -0        -0        -0
        38  STAUNTNC        6.         0         0        6.        6.         0         0        6.
        39  WAYNESBC        -0        -0        -0        -0        -0        -0        -0        -0
        40  CLARKE           0         0         0         0         0         0         0         0
        41  FREDERCK         0         0         0         0         0         0         0         0
        42  PAGE             0         0         0         0         0         0         0         0
        43  SHENANDH         0         0         0         0         0         0         0         0
        44  WARREN           0         0         0         0         0         0         0         0
        45  WINCHSTC        4.        2.         0        6.        4.        4.         0        8.
        46  ARLINGTN        2.         0         0        2.        2.         0         0        2.
        47  FAIRFAX        -1.         0         0      281.      363.         0         0      363.
        48  LOUDON          5.         0         0        5.        5.         0         0        5.
        49  PRWILLIM        -0        -0        -0        -0        -0        -0        -0        -0
        50  ALEXANDC       15.         0         0       15.       15.         0         0       15.
        51  FAIRFAXC         0         0         0         0         0         0         0         0
```

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JANUARY HOUSING DATA FOR PLANNING DISTRICTS                                    06/14/77      PAGE    1

FILE    NONAME    (CREATION DATE = 06/14/77 )

  CASE-NO  BPSFBDGS  BPTFBDGS  BPMFBDGS  BPTLBDGS  BPSFUNIT  BPTFUNIT  BPMFUNIT  BPTLUNIT

       1       11.         0         0       11.       11.         0         0       11.
       2        9.         0         0        9.        9.         0         0        9.
       3         0         0         0         0         0         0         0         0
       4        7.         0         0        7.        2.         0         0        2.
       5         0         0         0         0         0         0         0         0
       6       16.         0         0       16.       16.         0         0       16.
       7        4.        2.         0        6.        4.        4.         0        8.
       8       33.         0         0      314.      396.    .    0         0      396.
       9       18.         0         0       18.       18.         0         0       18.
      10       24.        2.         0       26.       24.        4.         0       28.
      11       15.         0        1.       16.       15.         0       24.       39.
      12       25.         0        1.       26.       25.         0        3.       28.
      13        8.         0         0        8.        1.         0         0        1.
      14       19.         0         0       19.       19.         0         0       19.
      15      248.         0         0      248.      248.         0         0      248.
      16       68.         0         0       68.       68.         0         0       68.
      17         0         0         0         0         0         0         0         0
      18       33.         0         0       33.       33.         0         0       33.
      19       23.         0         0       23.       23.         0         0       23.
      20       16.         0         0       16.       16.         0         0       16.
      21       31.         0         0       31.       31.         0         0       31.
      22       10.         0         0       10.       10.         0         0       10.
```